

*annual report*  
ANNUAL REPORT  
ANNUAL REPORT

ANNUAL REPORT

ANNUAL REPORT  
**2012**



Edenor



ANNUAL REPORT

*annual report*  
ANNUAL REPORT

ANNUAL REPORT ANNUAL REPORT

2012

ANNUAL REPORT

# annual report

ANNUAL REPORT

ANNUAL REPORT ANNUAL REPORT

# 2012

# *CONTENTS*

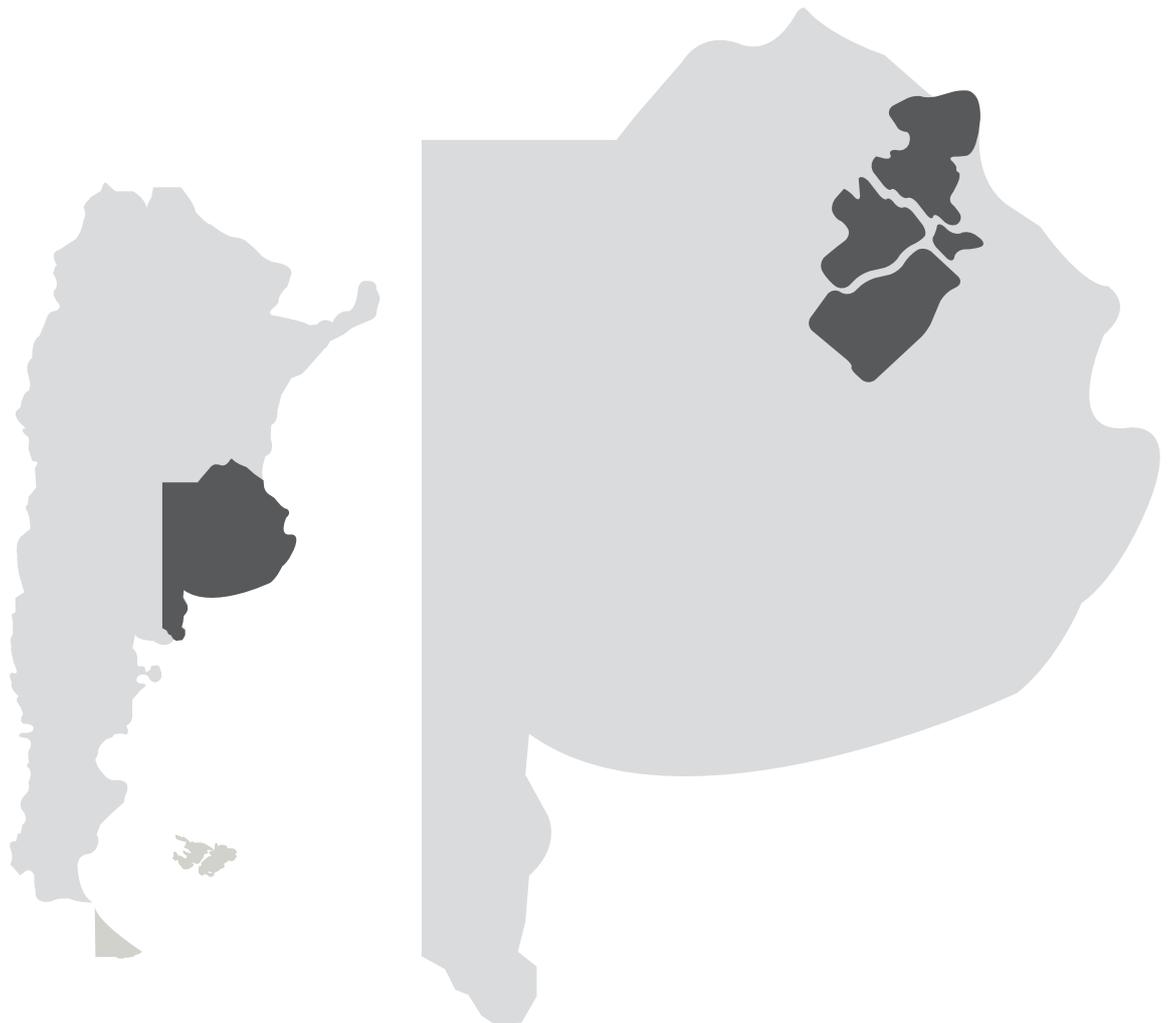
ANNUAL REPORT	6
CONSOLIDATED FINANANCIAL ESTATEMENTS	92

## Introduction

### Concession area

Edenor exclusively renders distribution and marketing services of electrical energy to all users connected to the power supply network in the following area: In the City of Buenos Aires: the area defined by Dock "D", street with no name, drawing of the future Coast Highway, which is an extension of Pueyrredón avenue, Pueyrredón avenue, Córdoba avenue, San Martín railroad, General San Martín avenue, Zamudio, Tinogasta, General San Martín avenue, General Paz avenue

and Río de la Plata avenue. In the Province of Buenos Aires, it comprises the Districts of Belén de Escobar, General Las Heras, General Rodríguez, former General Sarmiento (which now includes San Miguel, Malvinas Argentinas and José C. Paz), La Matanza, Marcos Paz, Merlo, Moreno, former Morón (which now includes Morón, Hurlingham and Ituzaingó), Pilar, San Fernando, San Isidro, San Martín, Tigre, Tres de Febrero and Vicente López.





## OLIVOS

Vicente López  
San Isidro  
San Fernando  
Tigre  
Escobar

## NORTE

Norte de la Ciudad Autónoma  
de Buenos Aires  
San Martín  
Tres de Febrero

## MORÓN

Morón  
Ituzaingó  
Hurlingham  
Merlo  
Marcos Paz  
Gral. Las Heras  
La Matanza

## PILAR

Moreno  
General Rodríguez  
Pilar  
Malvinas Argentinas  
José C. Paz  
San Miguel



## Supervisory and administration bodies (2012 fiscal year)

### a) Board of Directors

LAll decisions regarding Edenor are taken by the Board of Directors, which is composed of 12 regular directors and 12 alternate directors; out of them, 4 regular directors and 1 alternate director are independent in accordance with the criteria adopted by the Argentine Securities and Exchange Commission (Comisión Nacional de Valores). The term of office of all directors is of 1 year and they may be re-elected for consecutive periods.

The Board of Directors, in turn, assigns specific duties to an Executive Board and to

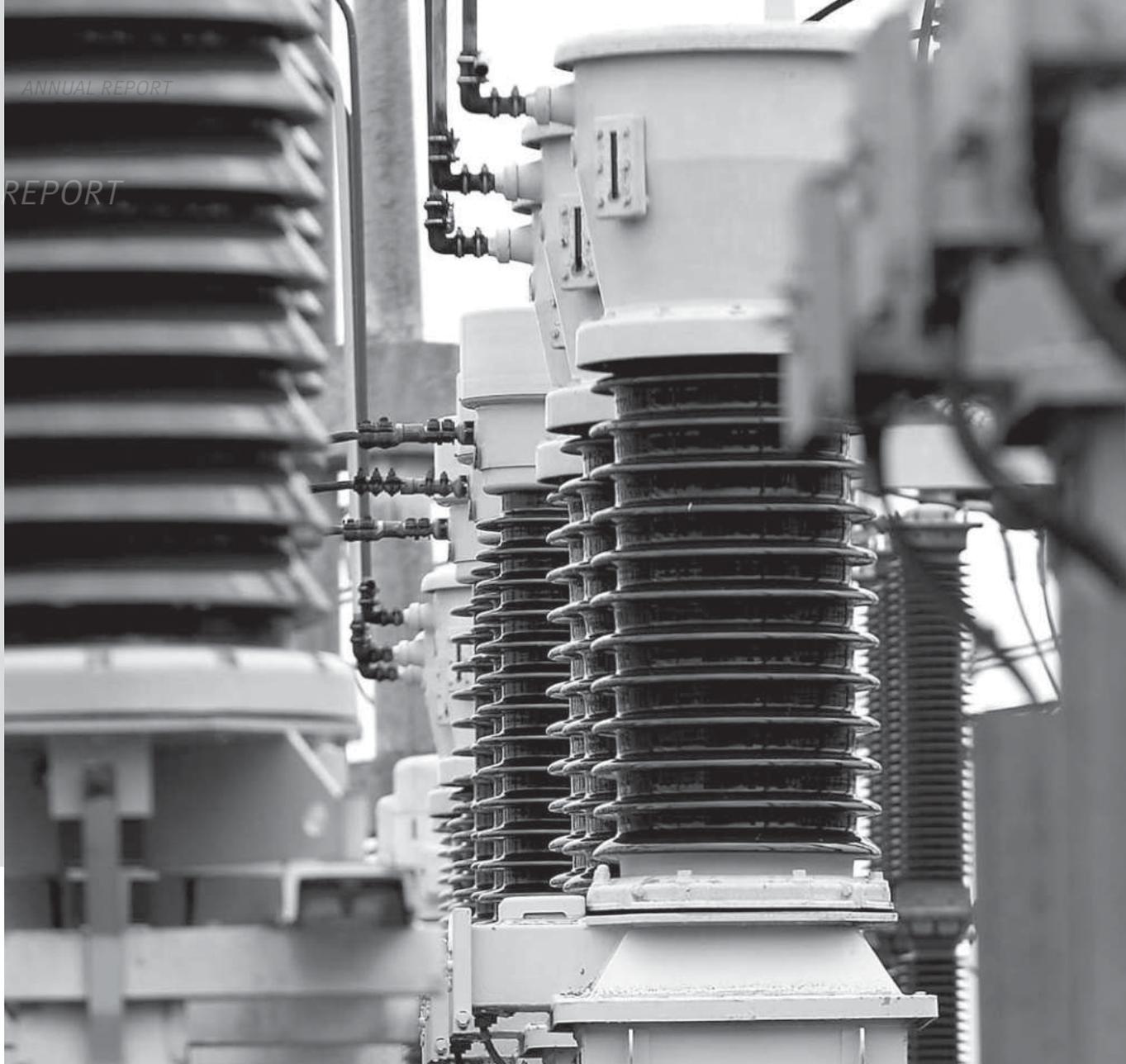
an Audit Committee, which is composed of all independent members in compliance with the criteria set forth in the Sarbanes-Oxley Act ("SOX").

Effective as from February 16, 2012, the Company's Board of Directors approved the appointment of Mr. Ricardo Torres as Chairman of the Board of Directors.

The following table describes the Board of Directors' list for the 2012 fiscal year:

Name	Position	Independence
RICARDO TORRES	CHAIRMAN	NON INDEPENDENT
MARCOS MARCELO MINDLIN	VICE-CHAIRMAN	NON INDEPENDENT
EDGARDO ALBERTO VOLOSÍN	REGULAR DIRECTOR	NON INDEPENDENT
GUSTAVO MARIANI	REGULAR DIRECTOR	NON INDEPENDENT
PABLO ALEJANDRO DÍAZ	REGULAR DIRECTOR	NON INDEPENDENT
MAXIMILIANO FERNÁNDEZ *	REGULAR DIRECTOR	INDEPENDENT
EDUARDO LUIS LLANOS*	REGULAR DIRECTOR	INDEPENDENT
EMMANUEL ANTONIO ALVAREZ AGIS	REGULAR DIRECTOR	INDEPENDENT
PATRICIA MARÍA CHARVAY	REGULAR DIRECTOR	INDEPENDENT
FEDERICO GOSMAN*	REGULAR DIRECTOR	INDEPENDENT
SANTIAGO ALBERTO LÓPEZ ALFARO	REGULAR DIRECTOR	INDEPENDENT
LISANDRO PABLO CLERI	REGULAR DIRECTOR	INDEPENDENT
DIEGO MARTÍN SALAVERRI	ALTERNATE DIRECTOR	NON INDEPENDENT
JAIME JAVIER BARBA	ALTERNATE DIRECTOR	NON INDEPENDENT
DAMIÁN MIGUEL MINDLIN	ALTERNATE DIRECTOR	NON INDEPENDENT
LEANDRO CARLOS MONTERO	ALTERNATE DIRECTOR	NON INDEPENDENT
DANIEL EDUARDO FLAKS	ALTERNATE DIRECTOR	NON INDEPENDENT
MARIANO BATISTELLA	ALTERNATE DIRECTOR	NON INDEPENDENT
DIANA MONDINO	ALTERNATE DIRECTOR	INDEPENDENT
LUCÍA BELÉN GUTIERREZ	ALTERNATE DIRECTOR	INDEPENDENT
EDGARDO ADOLFO RUIBAL	ALTERNATE DIRECTOR	INDEPENDENT
DIEGO LEIVA	ALTERNATE DIRECTOR	INDEPENDENT
EDUARDO ENDEIZA	ALTERNATE DIRECTOR	INDEPENDENT
PABLO DAMIÁN MARTÍNEZ BURKETT	ALTERNATE DIRECTOR	INDEPENDENT

(\*) Members of the Audit Committee.



## b) Supervisory Committee

The Company's Bylaws set forth that its supervision shall be carried out by a Supervisory Committee composed of 3 Regular Auditors and 3 Alternate Auditors, all of whom shall be elected by the shareholders and shall have a term of office of one fiscal year.

Their main duty is to control the lawfulness of the Board of Directors' compliance with the regulations under the Argentine Companies' Act (Ley de Sociedades Comerciales), the Company's Bylaws and, if any, the Shareholders' Meeting's decisions.

Name	Position	Independence
DAMIÁN BURGIO	REGULAR AUDITOR	NON INDEPENDENT
JOSÉ DANIEL ABELOVICH	REGULAR AUDITOR	NON INDEPENDENT
JORGE ROBERTO PARDO	REGULAR AUDITOR	NON INDEPENDENT
SANTIAGO DELLATORRE	ALTERNATE AUDITOR	NON INDEPENDENT
MARCELO HÉCTOR FUXMAN	ALTERNATE AUDITOR	INDEPENDENT
FERNANDO SÁNCHEZ	ALTERNATE AUDITOR	INDEPENDENT

## LETTER FROM THE CHAIRMAN

To the Shareholders,

I submit for your consideration the Annual Report, financial statements and other documentation for the fiscal year ended December 31, 2012, which are presented by the Board of Directors to be treated at the Company's Annual Regular Shareholders' Meeting.

Such documentation discloses the Company's course of business during its twenty-first fiscal year, which was characterized by serious economic and financial difficulties as a result of a rate freeze and the continuous increase in costs, which affected our activity. The period disclosed a consolidated loss of AR\$1,016 million, the highest loss in the Company's history. As a result of that situation, from the beginning of the fiscal year, the Board of Directors applied a collection of expense restriction measures that, notwithstanding the efforts made by the organization, were not sufficient to neutralize the cash deficit caused by the rate freeze that characterized the whole period until ENRE (Electric Power Regulatory Agency) Resolution No. 347/12 was enacted in November.

As to the increase in costs, the impact of salary raises granted to our workers and those of our contractors was especially significant. In addition, in November 2012, the Labor Department of the Argentine Ministry of Labor, Employment and Social Security issued Resolution No. 1,906, whereby as from January 1, 2013, Edenor and other companies from the electric power sector shall pay to its workers represented by Buenos Aires City Light and Power Unions a monthly wage amount of AR\$2,410, applicable to all Company and contractors' personnel represented by light and power unions. This validates, for the employees governed by that Agreement, an average salary adjustment equivalent to a 33% increase. Such fixed adjustment was also applied to all Company personnel. We estimate that such resolution will increase Edenor's costs to about AR\$300 million, including the restoration required for all salary scales in order to eliminate any distortion arising from the application of such fixed compensation. On February 26, 2013, the Company and other companies from the electric power sector entered into a salary agreement with national authorities and union representatives for a term of eighteen months, which established an 18% increase as from January 2013, a 5% non-cumulative increase as from June 2013, and a 7% cumulative increase as from January 2014. Another significant aspect that had an impact on cost increase was the decision made by authorities through Energy Department No. 3547 to charge Edenor —as from June 2012— the cost of contracting "Generación Móvil" in certain points of the distribution network, which implied a cost increase of AR\$68 million in fiscal 2012.

Cost variation, combined with the continuous freeze in rates in the national electric power distribution sector, gave rise to a significant impairment in comprehensive income (loss) for the year, which was disclosed in a loss amounting to AR\$1,013 million in the year ended December 31, 2012. However, a temporary solution adopted by the Energy Department was maintained, whereby the use of funds from the Program for the Rational Use of Electric Power (in Spanish, PUREE) was authorized; even though these funds are not booked as Company's revenues, they represented a financial aid of AR\$411 million during the year, showing a 22% increase as compared to 2011, accumulating AR\$1,278 million since 2008.

We should point out the enactment of ENRE Resolution No. 347/2012, which applies a fixed charge and a variable charge related to power in our customers' invoice and —for the first time in many years—

# ANNUAL REPORT

## ANNUAL REPORT

affects all customers; we expect this situation to allow maintaining the investment plan. Thanks to this initiative, which we support, and the investments to be made by the Company, we launched an ambitious investment plan to exceed AR\$1,000 million and we are convinced that this plan will give rise to a better and more reliable service.

In order to minimize the operating deficit, it was also essential to end up EMDERSA's spin-off process, which took place in November 2012, and to sell the resulting spun-off assets, such as the electric power distribution company located in the Province of Salta, EDESA, and to collect the loans granted to EDESA and EDEN, which were added to the sale of EDESAL, the electric power distribution company located in the Province of San Luis, which closed in late 2011. In addition, last February 27, the Company's Board of Directors approved unanimously the acceptance of the Offering Letter sent by Servicios Eléctricos Norte BA S.L. on February 26, 2013, whereby the Buyer made an offer to EDENOR for the acquisition of shares representing 100% of the capital stock and voting rights of AESEBA S.A. ("AESEBA"), a company that also owns 90% of the capital stock and voting rights of Empresa Distribuidora de Energía Norte S.A., a transaction that will allow us reducing the financial debt by about US\$80 million. To date, steps are being taken to formalize this transaction.

As a result of the operating deficit previously mentioned, in October 2012, Edenor started to fund its activity through the partial delay in payments to CAMMESA for the energy charged to its customers. To date, other 17 distributors are subject to the same situation and accumulate a joint debt with the wholesale electric market (Mercado Eléctrico Mayorista, MEM) amounting to about AR\$2,000 million plus interest. By using these funds, which represented—in the specific case of Edenor—principal amounting to AR\$189 million billed and unpaid as of December 2012 and AR\$347 million to date, the Company was able to keep its investment plan and to face the increasing operating expenses and duly meet the agreed-upon payments of its financial debt. It is important to point out that the difficulties described in the previous paragraphs had a significant impact on the economic-financial equation of Edenor's Concession Agreement. However, through the funding obtained from the partial delay in payments to CAMMESA, Edenor was able to substantially meet its obligations towards its customers, while Edenor's Board of Directors was always aware of their high responsibility as concessionaires of a federal public service. Nevertheless, as CAMMESA is currently the only funding source available to Edenor, its financial situation depends largely on the continuity of such funding, as to which Edenor's Board of Directors has no certainties because the Company was required by ENRE and CAMMESA to settle such debt. In this regard, a response was sent to the regulatory agency dismissing its competence to make commercial demands from the Company regarding third parties, and to CAMMESA, pointing out that the cash deficit preventing the full settlement of the payable to such company is a force majeure case because the Company is unable to approve its rate and thus obtain the revenues required for debt settlement, with the obligation to prioritize the public service concession. If this situation was reversed negatively and was not offset with a rate readjustment, apart from new cost increases, Edenor's cash issues could deepen in a short period of time. In addition, in the event that national authorities did not provide any new solution, Edenor's shareholders' equity could become negative in the following quarters, which would bring about consequences at a local level and with respect to the listed price at the New York Stock Exchange. However, Edenor's Board of Directors is optimistic as to the outcome of negotiations held with regulatory agencies, and the creation of the new fixed charge is promising, which is materialized through a trust and used for the investments previously mentioned. We believe that this alternative could cause actual service costs to be transferred to customers and thus reduce the Company's dependence on transactions funding as a result of CAMMESA's unpaid invoices.

# annual report 2012

ANNUAL REPORT ANNUAL REPORT ANNUAL REPORT

At the same time, administrative and judicial claims continue to be filed to protect Edenor's rights, the public service under concession in favor of Edenor, and its directors and managers. As a result and in view of the inefficacy of its actions and administrative and judicial filings by Edenor, a constitutional rights protection action was filed against the ENRE so that the latter may adopt the measures deemed essential and urgent—as part of its competence—for the provision of the electric power distribution public service under its charge, pursuant to the Concession Agreement, in a continuous, regular and safe manner. Specifically, this action is aimed at ceasing ENRE's failure to adjust the rate schedule, as enforcement authority, based on cost variations, as contractually and legally established, and to carry out the Comprehensive Rate Review Process, thus preventing Edenor from receiving sufficient revenues for the service currently rendered to cover fundamental and urgent operating costs and investments and thus render the service in a continuous, regular and, especially, safe manner.

It is also important to point out that the excellent refinancing of the financial debt at 12 years and its significant reduction begun in 2006 (by restructuring a defaulted financial debt of US\$541 million to US\$282 million as of December 31, 2012) allow having over a decade with no principal due dates, as interest has been paid as due; the debt will also be reduced if the offering received and accepted for the sale of AESEBA S.A. and its subsidiary, EDEN S.A., is materialized.

The previous comments on the compliance with the Company's obligations are reflected in the outcome of the service transaction, whereby—although the energy demand increased by 4.04% during the period—the energy loss remained at reasonable levels and all service quality indicators continue to excel in the country. The increase in demand was accompanied by important investment efforts that reached AR\$541 million during the year, and over AR\$2,100 million in the last 5 years, and it reflects perfectly the Company's responsibility upon managing its activity under concession.

The efforts made to keep the service quality referred to in the previous paragraph were shown, among other aspects, in the quick and effective response given by the Company regarding the aftermath of the tornado that battered its area under concession on April 4, 2012. The phenomenon affected our facilities seriously, as well as those of the community that we serve, and we managed to normalize the supply quickly in spite of the tornado intensity. To have an idea of this event and the Company's effective reaction, note that this was a serious meteorological phenomenon that affected a 40 km-wide area, with the presence of tornados characterized by gusts of up to 220 km/hour affecting the districts of General Rodríguez, Moreno, Merlo, Padua, Ciudad Evita, González Catán and the City of Buenos Aires. Specifically regarding our facilities, the tornado broke 12,000 posts and caused over 300 km of downed lines, apart from 57 seriously compromised transformation centers, all of which affected hundreds of thousands of customers whose services were soon reestablished notwithstanding the prevailing situation and thanks to the efforts made by all Company personnel, its contractors and the cooperation of national and municipal authorities with whom coordinated work was done.

Confirming these comments with facts, through the effort made by the whole organization and as a result of almost 5 years of work and an investment of over AR\$55 million, the second and most important phase of the new commercial system CC&B (Customer Care & Billing) was started up during the fiscal year, the license of which was acquired from Oracle, incorporating 2.7 million customers into the system and covering the business management of medium- and small-sized demands, as it had already been in operation since 2011 for large customers. This was a milestone for Edenor as it currently has a modern

# ANNUAL REPORT

## ANNUAL REPORT

comprehensive system that replaces the technology that is over 15 years old. As part of the project, the meter management module comprising all customers was implemented through SAP, thus replacing the old Sadme system.

These actions taken by the company were part of a national context that progressed favorably, from the economic point of view, even though with lower trends than in the last few years. In 2012, Argentine economy showed positive results again, consolidating the recovery begun after the great crisis in 2001 and showing a 1.9% increase in GDP.

A significant event in the national energy sector was the Executive Branch's decision to eliminate gradually as from January 2012 all subsidies granted to the energy generation price applicable to all Argentine users. With respect to the electric power distribution public service rendered by EDENOR, such decision to eliminate subsidies does not cause any improvement in the distributor's own resources; however, we support that decision as we have always considered that subsidies should be maintained only in the case of customers really in need, while setting true energy prices will serve to send proper signs that a scarce and non-renewable resource is being saved.

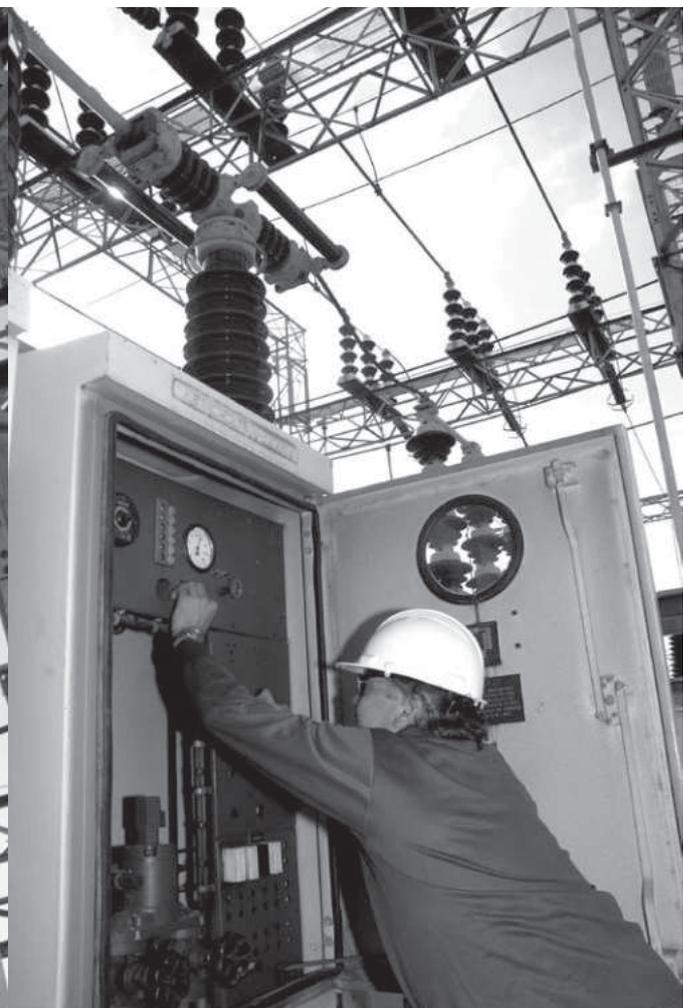
Finally, I would like to thank the Board of Directors of EDENOR for their permanent support in 2012 fiscal year, as well as the shareholders, the Statutory Audit Committee and especially all Company personnel, whose efforts, commitment and professionalism allowed reaching satisfactory operating efficiency indexes notwithstanding the uncertainties characterizing our activity and the deficit disclosed in the documentation that we submit for your consideration.



**RICARDO TORRES**  
Chairman

1  
Annual report  
ANNUAL REPORT  
ANNUAL REPORT  
2012





*Economic context and  
regulatory framework*

## Economic context and regulatory framework

### ARGENTINE ECONOMIC SITUATION

According to officially-released data, real GDP in Argentina would have recorded a 1.9% increase in 2012, representing a fall as compared to the GDP rate recorded during most recent years, including the significant expansion the Argentine economy achieved in 2011, but it still reflects a growth in a global economy in crisis.

Among the most important factors underlying the decrease in the growth rate, it is worth mentioning the ever lasting international financial crisis and inflation-related pressures, all of which still stand as major challenges to economic management. The Government has tackled this adverse situation with protectionist policies applicable to the national activity, proposing a 45% reduction in imports from now on until 2020 for the benefit of domestic industries. This will further ensure trade surplus. Actually, 2012 ended with a trade surplus equal to U.S.\$12,960 billion, a 26.7% higher than that of the previous year. Specifically, exports totaled U.S.\$81,205 billion as compared to U.S.\$68,514 billion in imports, representing a 3% decrease p.a. in sales and 7% decrease in overseas purchases.

Accordingly, it may be stated that trade policies applied by the Government to deal with the demand for foreign currency had the expected effects. Following a growth in overseas purchases totaling 46% in 2010 and 30% in 2011, restrictions on the entering of products caused them to be reduced to 7% during last year and trade surplus to experience a remarkable recovery.



With a view to the following year, prospects are optimistic, with expansion estimated at 4% due to an ever increasing harvest, with international prices forecasted to remain high. Expected growth is significant due to contributory factors, such as Brazil and China performance and a collection of domestic economic policies mainly intended to foster domestic economic activity.

This favorable scenario for 2013 is not free of uncertainty. From the domestic viewpoint, inflation will continue as the major macroeconomic issue. It is also worth mentioning the uncertainty resulting from the election to renew the Congress' members. From the international viewpoint, concerns are focused on the U.S. growth dynamics, on one hand, and that of European small and mid-sized economies, on the other hand. Though it is really difficult to picture the economic situation of developed countries as causing a new global crisis (as that experienced by late 2008 and early 2009), it is also true that problems stalking those economies will not fade away in the short term.



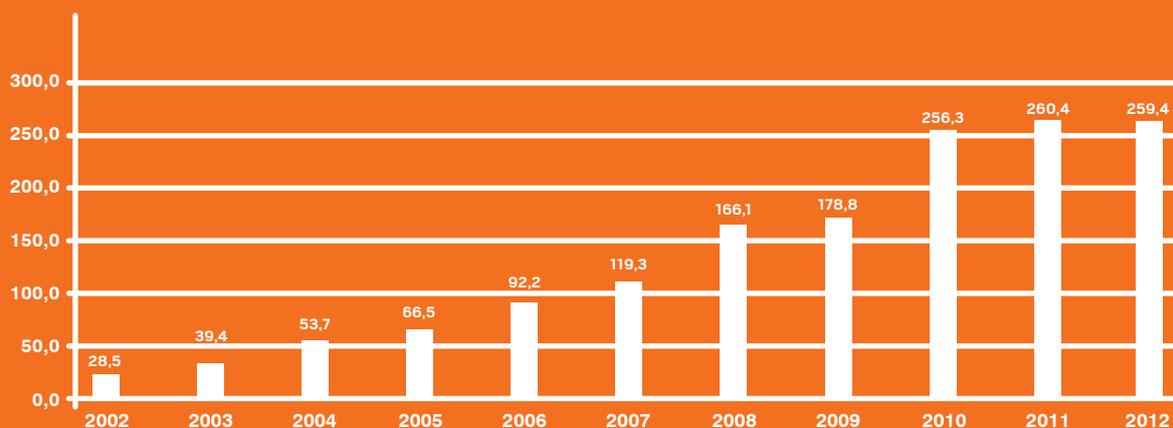
### ENERGY SECTOR

In the energy generation sector, operative costs and, as a consequence thereof, the monomial market price (see figure below) were slightly low as compared to those recorded during the previous year, mostly due to an increased availability of imported Natural Gas with is considered at values lower than alternative liquid fuels, despite a remarkably scarce hydroelectric supply. Based on these conditions, fuel oil consumption was 2.86 MMT, gas oil consumption reached 1.82 MMm3 and natural gas and LNG recorded 13.99 MMDm3.

Gas supply for the energy sector surpassed all prior annual consumption levels, registering a use of 10.94% higher than that of the previous year, though it is still insufficient to satisfy the demand increase from coal-fired power stations in winter time. This increased offer is related to an increased import from Bolivia and to the LNG.

Oil price remained steady since mid-2012, with an average cost of U.S.\$95 per barrel for WTI, exceeding the average cost recorded in the last five years.

### MONOMIAL AVERAGE MARKET PRICE



As happened in previous years, the funding of the Wholesale Energy Market (WEM) basically depended on the contributions made by the Argentine Government to the Unified Fund to pay off the negative balance of the WEM's accounts. In 2012, Income/(Loss) from Transactions of the WEM's accounts reached a negative balance of AR\$28.788 billion. It should be noted that this figure is reached with Argentine National Treasury contributions that caused the total accumulated amount to be reduced.

In 2012, new "Sourcing Agreements" with CAMESA were signed, under ENARSA "Distributed Energy Generation" Plan, which were implemented by the Energy Secretariat as a special funding arrangement related to the installation of new stations at certain points of the AT National Interconnected Network (SADI) in order to clear up supply difficulties mainly due to inadequacies in the transport network. These higher costs have not been reflected in the demand but accumulated in the relevant accounts that the Argentine Government paid off with subsidies.

Besides, but under the "Mobile Energy Generation" mode, ENARSA also connected generator groups of a lower module at certain points of the distribution network of the different energy providers in the country. As opposed to the Distributed Energy Generation mode, as from June 2012, by means of ES note No. 3547, higher costs were transferred to distribution companies, while Edenor paid an annual amount equal to AR\$68,71 billion as Energy and Power overcharges in this respect.

Contribution from the new generation supply continued, a phase dating back to 2008, and 1206 MW were added in 2012. The most important ones include Ensenada de Barragán Power Plant with the commissioning of two TG of 247 MW and two TG in Brigadier López Power Plant, forecasting a future closure of the combined cycle (TG01 and TG02) with 400 MW. Furthermore, small power plants distributed by Enarsa continued to be commissioned. It is also worth mentioning the start-up of Non-

Conventional Power Generation Plants, to wit Rawson II Wind Farms (2nd stage of 29 MW), Cañada Honda and Chimbera Photovoltaic Plants for a total of 10 MW and San Martín and San Miguel Power Plants that burn biogas from the CEAMSE wastes for a total of 16.6 MW.

As far as transportation is concerned, a new 800 MVA transformer was implemented in Ezeiza Power Plant entailing a 74% investment by Transener and 26% investment by the Argentine Government.

It is worth mentioning the release of ES publication 2016/12 approving Seasonal Scheduling, as from November 2012, defining monomial seasonal prices for the purchase of energy by each distribution company and setting aside the structuring of energy prices based on demand, power charges, and consideration of the higher differentiated price due to losses exceeding those contemplated in the relevant Concession Agreement.

#### REGULATION AND CONTROL

Act No. 25,561, Public Emergency and Amendment to the Exchange Regime Act (Ley de Emergencia Pública y Reforma del Régimen Cambiario), which was passed and enacted in early January 2002, was subject to several extensions of the emergency declaration effective date and its consequences until December 31, 2013 (Act No. 26,729).

During 2009, Edenor presented the rates proposal requested by the National Regulatory Entity of Energy (ENRE) under Resolution No. 467/08 (Program for the Comprehensive Rates Revision of Federal Distribution Companies [Programa para la Revisión Tarifaria Integral de las Distribuidoras Federales]) in accordance with the provisions of the Memorandum of Agreement entered into by and between Edenor and the Renegotiation and Analysis of Utilities Agreements Unit (Unidad de Renegociación y Análisis de Contratos de Servicios Públicos) ratified by decree of the Executive Branch No. 1957/06 and the Energy Secretariat Resolution

No. 865/08. During 2010, Edenor complied with requests for more information from the ENRE on such rate proposal filed by the Company. During 2012, no progress was made on this matter, only with Edenor administrative and court filings claiming ENRE's progress on this matter.

On November 7, 2011, the Energy Secretariat passed Res. No. 1301/11 establishing the seasonal scheduling for summer time, removing subsidies for certain economic activities that, pursuant to the Resolution, are able to deal with real costs to be incurred in order to supply their electric energy demand. This resolution has been extended, and being applied to residential users, classifying them based on their geographical location and types of residence. The modification was exclusively based on energy purchase prices at the Wholesale Market, thus the Distribution Value Added cost (Valor Agregado de Distribución, VAD) of the Company was virtually unchanged.

On November 23, 2012, the ENRE issued Res. 347/12 authorizing companies to apply a fixed amount different for each category of users,

based on the application of Section 4.2 of the Memorandum of Agreement, which further provides that such amounts be exclusively used in the execution of infrastructure works and maintenance of facilities of each Concession Holder. Funds raised thereunder will be deposited in a special account to be administered by a trust.

As with previous years the Energy Secretariat Resolution N° 1037/07 remained in full force and effect, having been ratified by the Energy Secretariat Note N° 1383/08 modifying the allocation of funds derived from the implementation of the Program for a Reasonable Energy Use ("PUREE" program). Deductions may be made of such funds of: a) any amount Edenor shall pay as Quarterly Adjustment Coefficient (Coeficiente de Adecuación Trimestral, CAT) established as per Section 1 of Act No. 25,957, for the purpose of the estimation used to determine the total value of the National Fund of Electrical Energy (Fondo Nacional de la Energía Eléctrica, FNEE), and b) any amount deriving from the rates adjustment resulting from applying the Cost Monitoring Mechanism (Mecanismo de Monitoreo de Costos,





MMC) under the Memorandum of Agreement, until one or the other item effective passing to rate is recognized, as appropriate.

The Master Agreement, entered into by and between the Argentine Government, the Province of Buenos Aires and Edenor sets forth the parties economic contributions to allow Energy Distribution Companies to provide electrical energy to squatter settlements (Category A and B), continued in full force and effect and was renewed for an additional 4-year term as from January 1, 2011. Such renewal was ratified by Resolution 247/12 of the Ministry of Federal Planning, Public Investment and Services and by Decree No. 507/12 of the Executive Branch of the Province of Buenos Aires.

#### **Enforcement of collateral and eminent domain**

As provided for in sections 37 and 38 of the Concession Agreement, the Argentine Executive Branch may, notwithstanding any other rights it may have thereunder, enforce the collateral furnished by the guarantor (holders of the majority shareholding, Class A shares), that is to say, assume the political rights of those shares and it may immediately sell the shares pledged or sell the majority shareholding, in the following circumstances:

a) Non-compliance with the provisions of sections 14 and 15 of the Concession Agreement (corporate and operation regime).

- b) In case the Distributor repeatedly breaches its material obligations under the Agreement and after being requested by ENRE to comply with those obligations in a fixed term, it fails to do so.
- c) If the accumulated value of penalties imposed on EDENOR S.A. in the previous period of one (1) year exceeds twenty percent (20%) of its net annual invoicing of taxes and rates.
- d) If guarantors levy or permit a levy on the shares pledged and fail to cancel the levy in the period of time fixed by ENRE.
- e) If the Distributor or guarantors hinder in any manner the sale in an International Public Bidding of the majority shareholding, in the cases set forth in the Concession Agreement.
- f) If any Shareholders' Meeting of the Distributor approves, with no participation by ENRE, an amendment to the Company's By-laws or an issue of shares that changes or permits to change the interest of fifty one percent (51%) in the total capital stock represented by Class "A" shares or their voting rights.



Notwithstanding the provisions above, the Concession Power is entitled, based on the “hecho del príncipe” theory, to decide on the eminent domain of the company, which shall be declared by a national act in compliance with the provisions of Act 21499.





*Analysis of  
economic-financial  
operations and results*

## Analysis of economic-financial operations and results

### RELEVANT DATA | Historic values in thousands of Argentine Pesos

	Dec 31, 07	Dec 31, 08	Dec 31, 09	Dec 31, 10	Dec 31, 11 (*)	Dec 31, 12
Total assets (thousand of AR\$)	3.847.606	4.134.630	4.370.741	5.031.730	5.585.499	5.903.295
Total liabilities (thousands of AR\$)	1.873.025	2.043.064	2.188.532	2.923.552	4.154.114	5.485.114
Shareholders' equity (thousands of AR\$)	1.974.581	2.091.566	2.182.209	2.108.178	1.431.385	418.181
Property, plant and equipment investments (thousands of AR\$)	342.749	335.722	404.310	388.770	430.637	540.885
Energy sales (in GWh)	17.886	18.616	18.220	19.292	20.098	20.760
Energy sales (in GWh) - excluding tolls	14.776	14.916	14.599	15.401	15.941	16.499
Energy purchases (in GWh)	20.233	20.863	20.676	22.053	23.004	23.934
Energy losses	11,60%	10,77%	11,88%	12,52%	12,63%	13,26%
Total clients	2.490.120	2.534.547	2.601.643	2.659.215	2.691.331	2.725.641
Total employees (own staff)	2.465	2.487	2.691	2.687	2.836	2.966
Energy sales (thousands of AR\$)	1.981.928	2.000.198	2.094.345	2.205.396	2.273.260	2.937.625
Energy sales (thousands of AR\$) - excluding tolls	1.888.485	1.885.711	1.959.054	2.063.867	2.159.803	2.721.967
Net income/(loss) (thousands of AR\$)	122.458	123.115	90.643	(74.031)	(304.057)	(1.016.470)
Average sale price (AR\$ /KWh)	0,1103	0,1075	0,1149	0,1143	0,1150	0,1389
Average sale price (AR\$/KWh) - excluding tolls	0,1278	0,1264	0,1342	0,1340	0,1355	0,1650
Average gross margin (AR\$/KWh)	0,0481	0,0554	0,0605	0,0593	0,0589	0,0512

NOTE: monetary figures are denominated in constant currency as provided for in resolution No. 441/03 of the CNV.

(\*)Data used to compare with 2011 data were adjusted to the International Reporting Financial Standards applied as from the fiscal year under consideration.

## ANALYSIS OF THE FINANCIAL AND EQUITY CONDITION

Edenor's comparative assets and liabilities structure for fiscal years ended December 31, 2012 and 2011 is as follows (amounts in AR\$ million):

	2012	2011(*)
Current assets	1,020	1,074
Non-current assets	4,883	4,511
<b>Total Assets</b>	<b>5,903</b>	<b>5,585</b>
Current liabilities	1,673	1,004
Non-current liabilities	3,812	3,150
<b>Total Liabilities</b>	<b>5,485</b>	<b>4,154</b>
<b>Shareholders' equity</b>	<b>418</b>	<b>1,431</b>
<b>Total Liabilities and Shareholders' equity</b>	<b>5,903</b>	<b>5,585</b>

(\*)Data used to compare with 2011 were adapted to the International Reporting Financial Standards applied as from the fiscal year under consideration.

In the fiscal year ended December 31, 2012, total assets increased 5.69% from AR\$ 5,585 to AR\$ 5,903 billion. This net increase was due to a significant increase in Property, Plant and Equipment and Trade Receivables and a decrease in Other Receivables and Assets available for sale.

Investments made during fiscal year ended December 31, 2012 totaled AR\$ 540.9 billion, reaching a similar level compared to the investments made in 2011, which totaled AR\$ 430.64 billion. These amounts are a response to the enforcement of the Inversions Plan established by Edenor.

An increase of 32.04%, from AR\$4.154 to AR\$5.485 billion, in Liabilities was recorded. The leading cause of such increase is the PUREE values deducted by the Company as advances of MMC pending authorization to be applied to rates and the increase in Trade Debts.

The comparative fundraising or fund allocation structure for 2012 and 2011 fiscal years is as follows (amounts in AR\$ million):

	2012	2011(*)
Funds raised through operational activities	279	465
Funds allocated through investment activities	(269)	(534)
Funds allocated through funding activities	(81)	(82)
Total funds allocated during fiscal year	(71)	(151)

(\*)Data used to compare with 2011 data were adjusted to the International Reporting Financial Standards applied as from the fiscal year under consideration.

In the fiscal year under analysis, a decrease in Cash Flows (Cash + Investments not exceeding 3 months) of AR\$ 71 million was recorded. Such decrease was mainly derived from Cash Flows used in investment activities, due to the allocation AR\$544 million to Investments in Fixed Assets (including raw materials and spare parts), and the funds raised by operational activities which consisted in the increase in PUREE values by AR\$411 million.

## INVESTMENT

Investment made during 2012 reached AR\$540,9 billion.

It is worth noting that the recovery at the investment level remained constant as compared to those years prior to 2002 crisis, even considering that during the year, restrictions on availability of resources, as a consequence of the freeze on rates and the increase in costs, continued to be applicable.

The energy demand grew 4.04% (23,934 GWh in 2012 vs. 23,004 GWh in 2011) and the maximum energy demand increased 2.7% (4452.7 MW in 2012 vs. 4335.5 MW in 2011).

To meet this increase in demand, most of the investment was applied to the increase in the network structure and to the connection of new

supplies. Edenor continued its efforts to keep fraud and delinquency indicators at efficient levels and the quality standard of service and products. Besides, important investments were made to protect the environment and ensure safety in public thoroughfare. Those investments are described in the relevant paragraphs.

Amounts of investments made are specified in the following charts. They are broken down based on allocation and activity

#### Inversiones según destino:

Item	Amounts in AR\$ million	%
Distribution	329,7	60,9
Transfers	184,3	34,1
Computers, transportation and office equipment/tools	26,9	5,0
<b>Total</b>	<b>540,9</b>	<b>100%</b>

#### Inversiones según actividad:

Item	Amounts in AR\$ million	%
New Supplies	193,6	35,8
Network Structure	238,3	44,1
Network Improvement	30,9	5,7
Energy Recovery	25,1	4,6
Legal Requirements	19,1	3,5
Telemonitoring and Telecommunication	7,0	1,3
Systems, real property, office equipment/tools, etc.	26,9	5,0
<b>Total</b>	<b>540,9</b>	<b>100%</b>

#### The most significant works performed during 2012 were the following:

##### - New Supplies:

New supply requests were connected, and power increase requested by the customers was further provided.

##### - Transmission Structure

The following works were performed, among others:

- Completion of enlargement works to increase the Capability to Evacuate Energy in Plants located in "Gran Buenos Aires" area, as per Energy Secretariat Resolution 1875/05; Completion of execution of 220 kV Bars in Malaver Substation of Line No. 46 Morón Substation – Malaver Substations and 220/132 kV Transformer No. 6 and underground 220 kV wire 24.25 km laying between Malaver and Costanera Substations. A new 220/132 kV 300 MVA Transformer was installed in Malaver Substation.
- New electroduct of 132 kV underground wire in 6.3 km to feed the new Tecnópolis Substation from existing Munro and Coghlan Substations.
- Installation of Capacitors Banks with 48 MVar to offset the reactive power in Suarez, Saavedra and Colegiales Substations.

##### - Sub-transmission Structure

The following works were performed, among others:

- Completion of Nordelta Substation 132/13,2 kV – 2x40 MVA.
- New Tecnópolis Substation 132/13,2 kV – 2x40 MVA.
- Start of enlargement of Agronomía Substation 132/13,2 kV - 3x40 MVA.
- Enlargement of Malvinas Substation 132/33 kV – from 2x40 MVA to 3x40 MVA.
- Enlargement of Medium Voltage boards in Ford and Ciudadela Substations.

##### Distribution Structure

The following works were performed, among others:

- 28 new feeders in new and existing Substations: Paso del Rey, Nordelta, Luzuriaga, Ford, Altos, Hurlingham, Ciudadela, Migueletes, Rotonda, Tecnópolis, Benavidez and Centro de Rebaje Escobar.
- Sealings between Medium Voltage feeders in various substations.



- 284 new Medium/Low Voltage Conversion Centers and 546 power increases in existing centers which increase the installed power to 188 MVA.

#### - Network Improvement

Improvement was made in all voltage levels, and the most significant ones are described below:

- High Voltage: Switches of 132 kV and 220 kV were replaced. MT Board protections were fitted in different Substations and 132 kV wire protections were replaced.
- Medium Voltage: Medium Voltage switches were replaced at Substations and internal arc protectors have been installed in Medium Voltage boards. Moreover, an important replacement of outdated technology underground network was made, Medium/Low Voltage transformers were replaced as well as equipment in Medium Voltage centers.
- Low Voltage: Underground and air networks were replaced. Network which had product quality problems was also reinforced

#### - Telecommunication and Telemonitoring

The works of installation of new radio-link systems and the existing radio-link systems adjustment with state-of-the-art equipment with increased capacity aimed at meeting the main telecommunication network transportation needs were continued.

The new Corporate Network was installed and put into service, which enables the provision of new

services and supports the System department in its developments, extending transportation capacity to support new IT applications and implement voice and video services with a better quality of service.

Edenor continued installing the Video Surveillance and Access Control system in new Substations and Domo Cameras to telemonitor actions in sectionalizers.

Regarding telemonitoring, the Air and Underground Medium Voltage Network telemonitor process was continued in the Conversion Centers and air networks.

Total amount of historic investment made by Edenor since it started business in 1992 to date totals AR\$ m\$ 4,223.

#### FINANCIAL DEBT

As of December 31, 2012, the Company's total financial debt was equal to AR\$1,393.2 million, including AR\$35.1 billion as accrued interest.

As compared to the previous year, financial debt, net of current investment and cash, increased by AR\$178.2 billion (16%) as a result of the raise in exchange rates (most part of the Company's debt is denominated in U.S.dollars) and reduction of cash, as a consequence of the financial deficit suffered by the Company.

The current debt profile has an average term of approximately 8.6 years and an average estimated rate of 10.1%. Approximately, 99% of

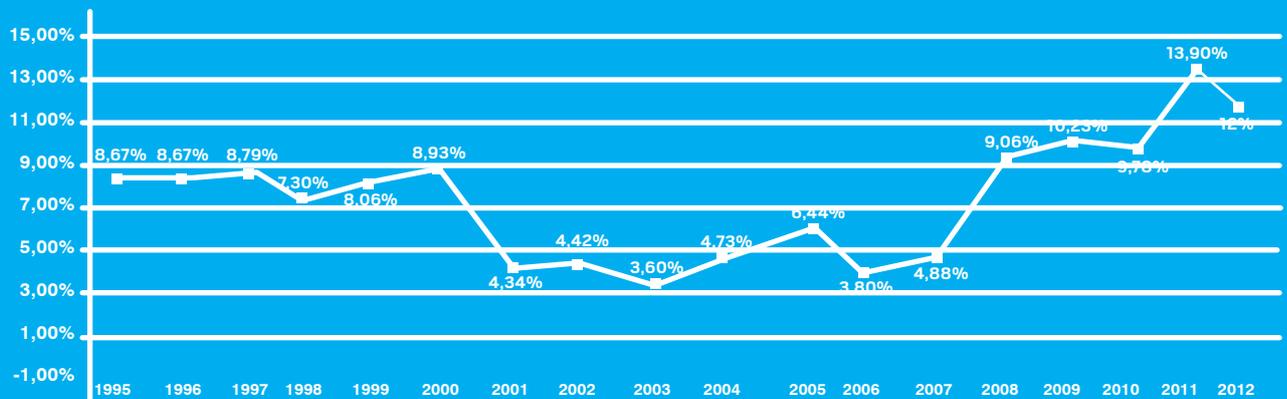
the Company's financial debt is denominated in U.S. dollars, and the balance is denominated in Argentina Pesos.

Principal maturity structure of outstanding financial debt is shown in the following chart denominated in U.S. dollars, net of the 2022 Notes that the Company holds in its portfolio:



As shown in the chart above, the Company's principal maturity terms are comfortably long, thus creating a solid and healthy principal structure.

## AVERAGE DEBT RATE





Deterioration in the Company's Cash Flows and operative losses result from the delay in updating rates and an uninterrupted increase in costs. These results have an adverse impact on the Company's financial ratios.

Recovery of the economic equation of the Company basically depends on the possibility to obtain rate increases contemplated in the Memorandum of Agreement by applying the Cost Monitoring Mechanism and the Comprehensive Rate Review Process (Mecanismo de Monitoreo de Costos y el Proceso de Revisión Tarifario Integral) as referred to in item "RATES" herein.

Considering that fulfillment of actions outlined to reverse the negative trend experienced in this fiscal year depends on the occurrence of certain events beyond the Company's control, the Board of Directors believes that there is a certain degree of uncertainty as regards the Company's financial capacity to comply with the obligations inherent to its ordinary course of business.

#### **Interest coupon swaps**

Throughout 2012, the Company executed a derivative for the purposes of converting cash flow exchange rate and those deriving from interest payments under Class 9 fixed-rate Notes of up to U.S.\$300 million, maturing on April 25, 2012 and October 25, 2012.

Unfortunately, due to the Argentina economic-financial situation, it was impossible to renew those coverage for upcoming years.

#### **Funding Sources**

2012 fiscal year was characterized by a sharp limit on access to borrowings, for the energy

sector in general, and for the Company in particular, mainly due to the economic-financial situation and deterioration of its financial ratios as mentioned above.

However, despite the situation described above, the Company has complied with all its financial obligations, repaying financial loans maturing during the first six months in 2012, paying principal of and interest on the loan undertaken with Banco de la Provincia de Buenos Aires and principal of and interest on Notes at their maturity dates, both denominated in Argentine Pesos and in U.S. dollars.

#### **Company's Risk Rating**

On November 1, 2012, Standard & Poors Ratings Services placed on review with negative implications the ratings "raCCC+" of EDENOR's Global Notes Program of up to US\$600 million with final maturity in 2016, of the Notes for US\$220 million with final maturity in February 2017 and of Notes for US\$300 million with final maturity in 2022.

EDENOR's "raCCC+" ratings mostly incorporate the high political and regulatory risk in Argentina, the Company's limited flexibility and exposure to any risk currency mismatch (as its debt is largely denominated in U.S.dollars while funds are domestically generated in Argentine pesos).

Growing operative and administrative costs in a rate freezing scenario, adversely affected EDENOR's operative results, coupled with the announcement that due to the financial stress situation undergone by the Company, it would only pay half of the invoicing sent by Compañía Administradora del Mercado Mayorista Eléctrico

Sociedad Anónima (CAMMESA), Standard & Poors expects the Company to continue reporting negative levels of EBITDA and domestic generation of funds. Consequently, it believes there is a significant degree of uncertainty as regards EDENOR's financial capacity to meet its financial obligations in the next months.

In turn, Moody's Latin America maintained the Caa1 rating at an international level and a Ba3.ar rating at a country-wide level, both with a negative outlook, to all series issued by the Company.

Negative prospects reflect Moody's viewpoint, in the sense that, if the rate freezing is not dealt with by the government or by regulatory entities, the downward trend in operative margins and negative generation of cash of Edenor will cause operations to be unsustainable. In such a case and considering current levels of cash generation of the Company, concerns are deeper as regards its future interest repayments.

In addition, as Edenor's funds are generated in Argentine pesos while its bonds are denominated in U.S.dollars, its financial profile may be largely and adversely affected by a significant devaluation of the Argentine peso, which could also exert pressure towards ratings downgrades.



## ANALYSIS OF FINANCIAL RESULTS

Edenor's comparative income/loss structure of fiscal years ended December 31, 2012 and 2011 is as follows (amounts in AR\$ million):

	2012 - Consolidated	2012 (Separate)	2011 (Separate)
Ordinary operational income/(loss)	(633,84)	(679,67)	226,00
Financial and holding income/(loss)	(377,54)	(360,41)	(199,48)
Other income and expenditure	(79,45)	(70,74)	(30,06)
Ordinary net income/(loss)	(1.090,83)	(1.110,82)	(3,54)
Extraordinary income/(loss)	0,0	0,0	0,0
<b>Subtotal</b>	<b>(1.090,83)</b>	<b>(1.110,82)</b>	<b>(3,54)</b>
Income tax	99,78	116,71	(82,18)
Discontinued transactions	(22,36)	(22,36)	(218,34)
Third parties' interest	(3,06)	-	-
<b>Resultado neto</b>	<b>(1.016,47)</b>	<b>(1.016,47)</b>	<b>(304,06)</b>

Regarding fiscal year ended December 31, 2012, Operational Income/Loss has significantly decreased, from AR\$226 million income in 2011 to AR\$679.63 billion loss in 2012. The main underlying factors for such decrease are: the 53% increase in operational expenses and the AR\$435 million income posted in 2011 under the acquisition of Companies.

From an operational standpoint, it is worth noting the particular progress of certain line items:

- As explained below, energy purchases have increased by 4.04% as compared to the previous year.
- As explained below, energy losses have slightly increased compared to the level recorded in the previous year (13.26% in 2012 vs. 12.63% in 2011) according to TAM.
- Delinquency level expressed as days equal to invoicing increased from 7,67 days to 9,31 days (in September 2012).

Regarding financial results, they experienced a significant increase, from a loss of AR\$199.48 billion during 2011 fiscal year to an AR\$360.41 billion loss in the year under analysis. This variation is mainly explained by the exchange rate difference income/(loss) derived from assets and liabilities and increase in lost commercial interest.

Net loss recorded during the 2012 fiscal year was AR\$1,016.47 billion, mainly influenced by an increase in transmission and distribution expenses, marketing and administrative expenses as a result of the cost increases recorded during the year under analysis.

## MAIN ECONOMIC RATIOS

The following scheme reflects the Company main economic ratios as compared to the previous year and their estimation formula:

RATIOS		12.31.2012	12.31.2011
<b>Liquidity</b>	<u>Current assets</u>	0.61	1.07
	Current liabilities		
<b>Creditworthiness</b>	<u>Net worth</u>	0.08	0.34
	Total liabilities		
<b>Long-term capital investments</b>	<u>Non-current assets</u>	0.83	0.81
	Total assets		
<b>Ordinary profitability before taxes</b>	Ordinary Profit/ (Loss) before taxes	(77.60)%	(0.20)%
	<u>Net worth excluding fiscal year results</u>		

If the rate-related situation existing at the time of preparing this Annual Report continues, together with the increase in costs related to the actual rendering of the Utility Service under Concession, the Board of Directors believes that the economic and financial situation will continue worsening, and that it would be reasonable to expect a deterioration in economic and financial ratios for the future fiscal year.

## ALLOCATION OF INCOME(LOSS) FOR THE YEAR

The Board of Directors proposes the Shareholders' Ordinary General Meeting that 2012 fiscal year loss be absorbed by Unappropriated Retained Earnings.



Item	Amount in AR\$ million
2012 fiscal year loss	(1,016.47)
Unappropriated Retained Earnings for 2012 fiscal year	(1,016.47)

The Board of Directors' compensation shall be fixed by the Shareholders' Ordinary General Meeting that approves this Annual Report and Financial Statements.

## RATES

During 2012, the Economic Emergency and Monetary Regime Reform Act No. 25,561 (Ley de Emergencia Económica y Reforma del Régimen Monetario, Ley N° 25.561) enacted on January 6, 2002 continued in effect, rendering unenforceable any dollar-based adjustment covenants and the indexing provisions set forth in Edenor's Concession Agreement.

In 2012, an approximate average of 290,000 customers continued to be exempted from the rate scheme enforced by ENRE Resolution No. 628/2008. These beneficiaries had to pay the rate schemes in force immediately before those mentioned above. i.e., those approved by ENRE Resolution No. 324/2008.

During 2012, Resolution SS.EE. No. 1301/2011 was applied to clients with no subsidies, who paid an average monomial price of AR\$320/MWh.

Application of said Resolution did not change the effects on the Company's Distribution Added Value ("DAV").

On May 8, 2012, the Energy Secretariat by means of Resolution No. 2883/2012, and for the purposes of minimizing the effects of seasonal energy consumptions of all residential clients, directed the Company to apply an stabilization method of amounts to be invoiced.

This method is optionally applicable to those clients.

On May 22, 2012, Edenor filed a request for approval with ENRE regarding the application of MMC12 pursuant to Exhibit I of the Memorandum of Agreement, for the November 2011-April 2012 period, for a value of 8.529% that should have been applied since May 1, 2012.

In 2012, ENRE authorized Edenor to apply to clients with subsidies the same two rate schemes applied in June and July 2009, 2010

and 2011 as well as in August and September 2009, 2010 and 2011 to the same months in 2012. These schemes were in line with those applied under ENRE Resolution 433/2009, Exhibit I and IV. The application of these schemes was aimed at reducing the impact on the invoicing of residential customers with bi-monthly consumption exceeding 1,000 kWh due to the electrical energy consumption increase registered during winter time. Edenor continued breaking down the floating charges of all invoices, identifying amounts subsidized and not subsidized by the Argentine Government. On the other hand, these rate schemes led to the modification of the additional charges value to be applied by PUREE within the same enforcement period. Changes in rate schemes had no effect on the Company's DAV.

As of October 1, 2012, the October 2008 rate scheme was applied once again as provided for in ENRE Resolution No. 628/2008. Variable cost of all invoices continues to be broken down in amounts subsidized and non-subsidized by the Argentine Government.

On November 21, 2012, Edenor filed a request for approval with ENRE regarding the application of MMC13 pursuant to Exhibit I of the Memorandum of Agreement, for the May 2012-October 2012 period, for a value of 7.316% that should have been applied since November 1, 2012.

On November 23, 2012, the Ente Regulador de Energía Eléctrica by means of Resolution No. 347/2012, under the provisions of section 4.2 of the Contractual Renegotiation Memorandum of Agreement timely executed with UNIREN, authorized the Company to apply a fixed amount different for each rate category, to be separately reflected in the users invoices, only except for those clients exempted to pay the rate scheme approved by ENRE Resolution No. 628/2008.

In that regard, it was requested to open a special account for the Company to deposit funds received, which will be exclusively used in infrastructure and maintenance works in its concession area and which will be administered by a Trust.

Amounts received by the Company will be considered in the credit and debit accounts

resulting from the analysis made by ENRE at the time of the RTI.

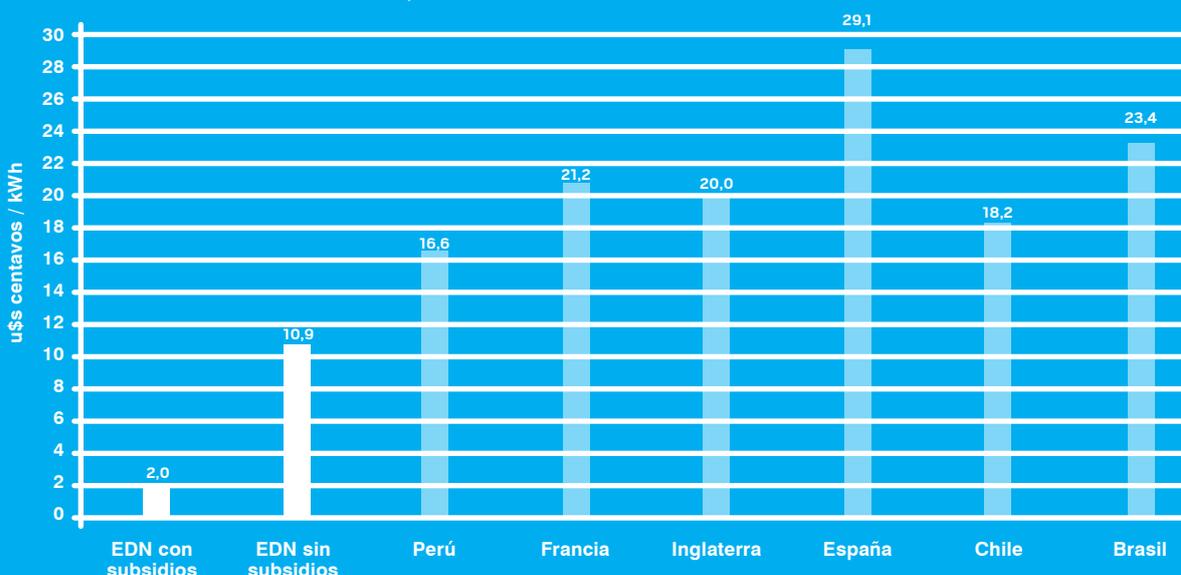
In the schedule of such Resolution, the following amounts to be applied to users were listed:

Category	Consumption range	Charge	Mode
Rate 1- R1	Up to 300 kWh-every two months	\$ 4	\$/invoice
Rate 1- R2	301-650 kWh-two months	\$ 10	\$/invoice
	651-800 kWh- two months	\$ 17	\$/invoice
	801-900 kWh-two months	\$ 22	\$/invoice
	901-1000 kWh-two months	\$ 28	\$/invoice
	1001-1200 kWh-two months	\$ 50	\$/invoice
	1201-1400 kWh-two months	\$ 75	\$/invoice
	1401-2800 kWh-two months	\$ 80	\$/invoice
	More than 2800 kWh-two months	\$ 150	\$/invoice
Rate 1- G1	Up to 1600 kWh-two months	\$ 45	\$/invoice
Rate 1- G2	1601 - 4000 kWh-two months	\$ 150	\$/invoice
Rate 1- G3	More than 4000 kWh-two months	\$ 300	\$/invoice
Rate 2		22%	% on power charges
Rate 3 – BT		20%	% on power charges (P and FP)
Rate 3 – MT		37%	% on power charges (P and FP)
Rate 3 – AT		37%	% on power charges (P and FP)
<b>Toll Service Rates</b>			
Rate 2		12.50%	% on power charges
Rate 3 – BT	Peak/ Off Peak Power	12.50%	% on power charges (P and FP)
Rate 3 – MT	Peak/ Off Peak Power	12.50%	% on power charges (P and FP)
Rate 3 – AT	Peak/ Off Peak Power	12.50%	% on power charges (P and FP)

Since the concession started, Edenor average rate was subject to the following cumulative variations:

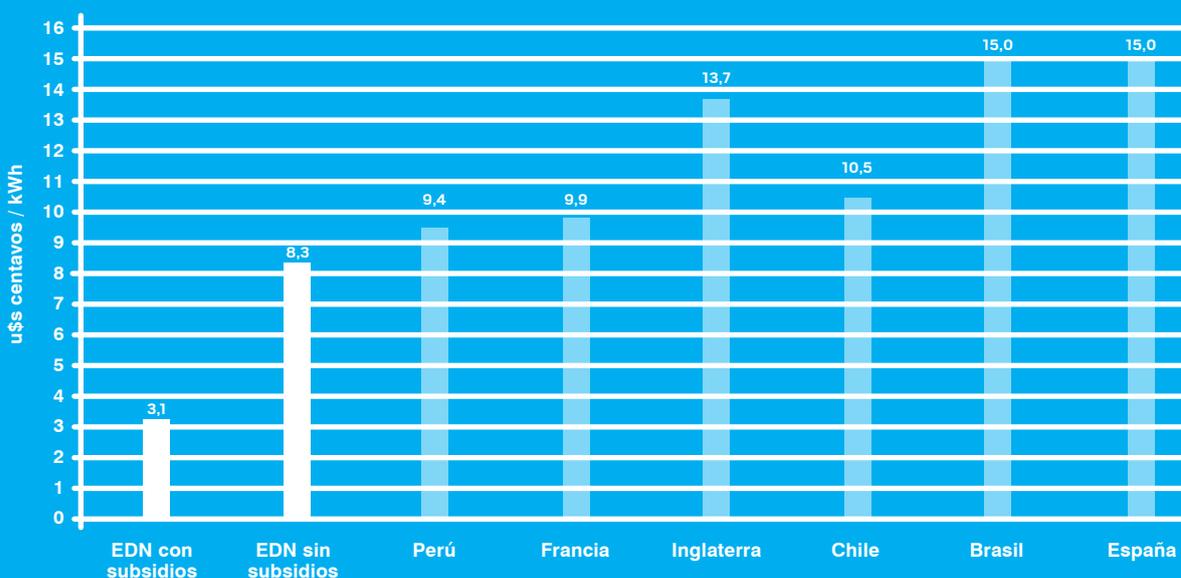
Edenor rate CT 628/08 (\$/mWh.)	September 1992	December 2012	Variation %
Nominal (without inflation)	86.63	144.31	67%
Real (with inflation)	381.93	144.31	-62%

### EDENOR RESIDENTIAL RATE SHARE IN THE INTERNATIONAL MARKET CONSUMPTION 275 KWH/MONTH



Edenor rates applicable at December 2012 / Values include all taxes  
 U.S.\$ Cents/kWh. Exchange rate used U.S.\$1 = AR\$4.9173

### EDENOR INDUSTRIAL RATE SHARE IN THE INTERNATIONAL MARKET Consumption: 1095 MWh/month Maximum demand 2.5 MW in MV



Edenor rates applicable at December 2012 / Values include taxes, except for VAT  
 U.S.\$ Cents/kWh. Exchange rate used U.S.\$1 = AR\$4.9173

Although Edenor has, on several occasions, requested the administrative authorities for the application of the Cost Monitoring Mechanism (Mecanismo de Monitoreo de Costos, MMC) and the start-up of the Comprehensive Rate Review process (proceso de Revisión Tarifaria Integral, RTI), both processes are delayed, then further delaying the restoration of economic and financial equation of the Concession Agreement. In the event those delays continue as regards the rate redefinition, plus the higher costs inherent to the economic circumstances of the utility service under concession, the Board of Directors believes that the situation would lead to expect negative cash flows and operation results as well as deterioration in financial ratios for the future fiscal year.

Notwithstanding the paragraph above, and though recovery of the economic equation of the Company basically depends on the possibility to obtain the rate increases contemplated in the Memorandum of Agreement, until then, coverage of operation expenses and compliance with the investment plan will depend on the actions the Company may implement to obtain the necessary financial resources.

Among other measures taken and in search for recognition of resources under the Memorandum of Agreement, the Company filed administrative resources before the Ente Nacional Regulador de la Electricidad, the Energy Secretariat and the Ministry of Federal Planning, Public Investment and Services with no favorable outcome as of the closing date hereof but still been analyzed and, on December 28, 2012, "amparo" proceedings with the National Administrative Courts against the Ente Nacional Regulador de la Electricidad claiming that pending MMC be granted and that the Comprehensive Rate Review Process be applied as provided for in the Memorandum of Agreement, with is pending as of the date hereof.

## ENERGY PURCHASE

During 2012, energy purchase for Edenor's own customers, including Large Users, reached 23,934 GWh, representing 4% increase in

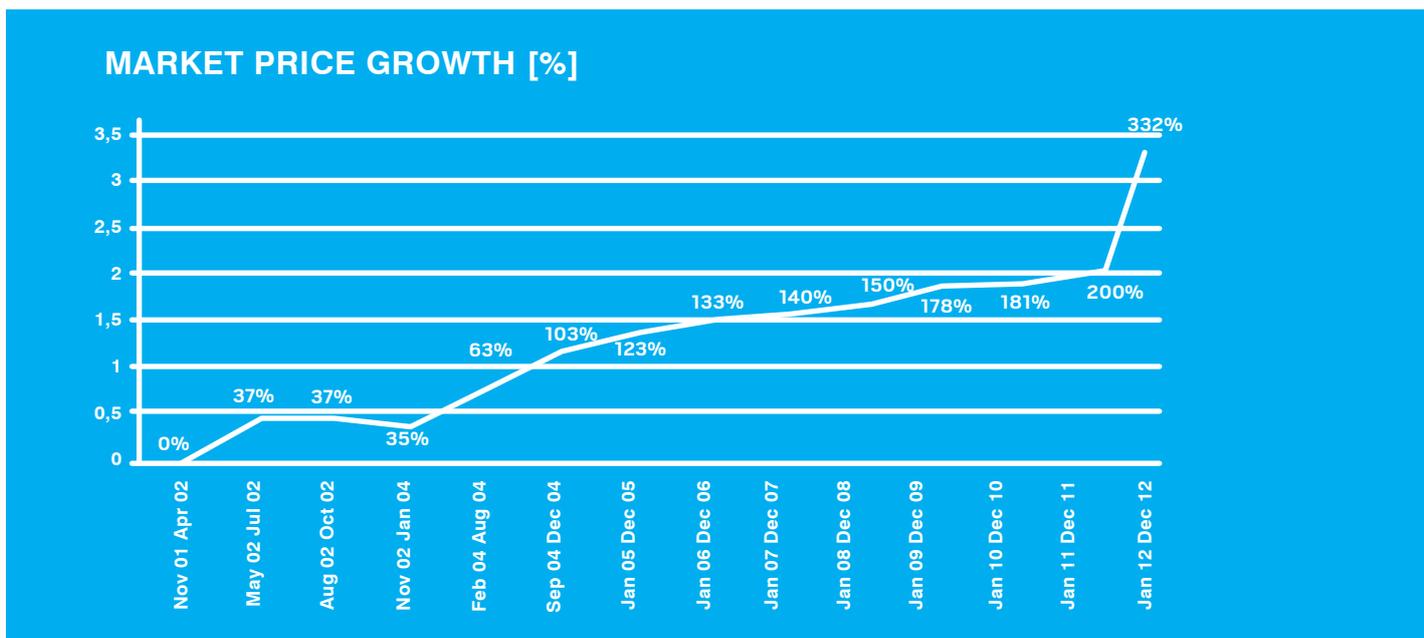
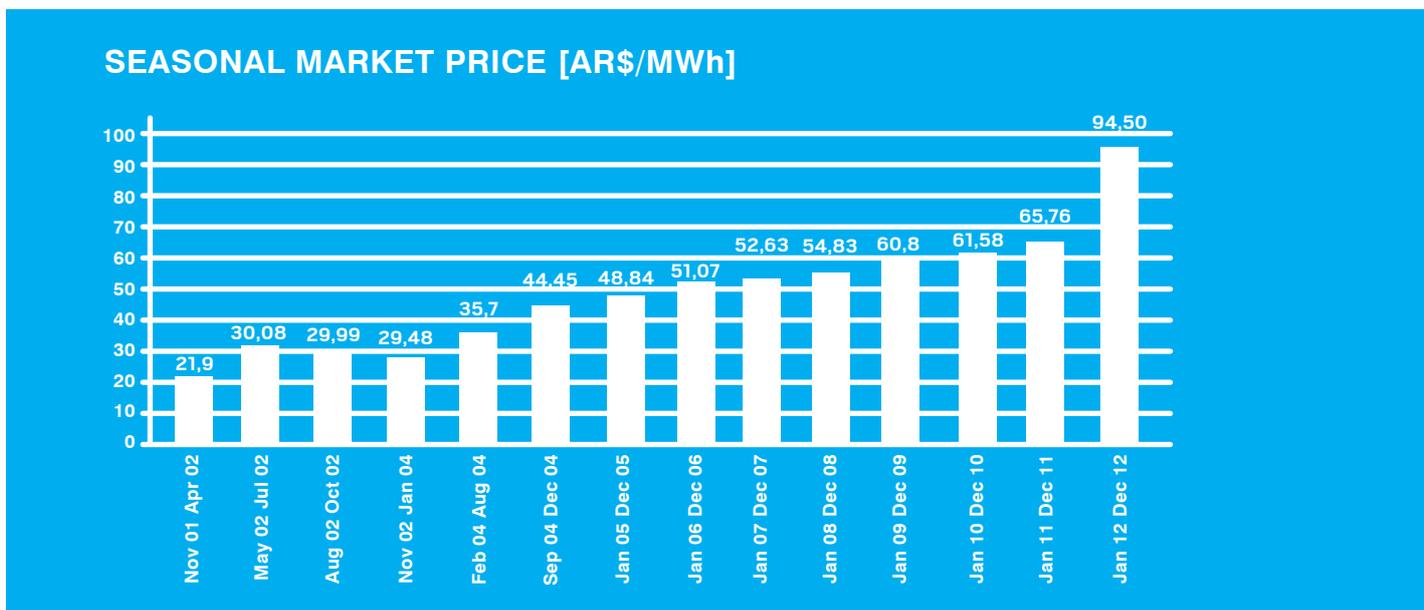
demand as compared to 2011. It should be noted a new rise in demand as opposed to the slight demand reduction recorded last year.

Since October, 2008, Energy Secretariat Resolution No. 1169/08 was in force, which set residential demand segmentation with differential prices as per demanded energy, granting larger subsidies for minor consumption. In 2011, Energy Secretariat Resolution No. 155/12 was passed, partially staying again Energy Secretariat Resolution No. 1169/08, and applying to June and July, a 100% constant subsidy for all the energy demand not exceeding 10 kW as residential demand (higher consumption sector prices are matched with those of lower consumption). In August and September, a 70% subsidy was applied to each price included in each sector for all the same type of residential demand exceeding 1000 kWh/bim.

As from the passing of Res. SE No. 1301/11 and supplementary notes, the gradual reduction of subsidies granted by the Argentine Government to most of the segments of Market Prices paid by the demand as from December 2011 was resolved.

SE Res. 2016/12 approved the Seasonal Scheduling for the November/May 12/13 period and modified all provisions related to the application of energy and power prices to distribution companies purchasing at a seasonal prices, setting aside the structuring of energy prices based on the different segments of demand, power charges and the consideration of a differentiated price increased by losses in excess of those recognized in the relevant Concession Agreement, and replacing it with a single monomial price system providing for the breakdown based on price and losses categories in effect in October 2012.

Edenor purchased all the energy at the seasonal market at an average annual price of 65.76 AR\$/MWh. The following graphic shows the average purchase price variation for Distribution Companies since 2001:



#### ENERGY LOSSES

As regards the energy recovery reduced plan proposed for 2012, the few actions planned for Rate 1 and Rate 3 were carried out in four areas, though not all the actions scheduled for Rate 2 were materialized.

The Floating Annual Rate (Tasa Anual Móvil , TAM) of total losses (technical and non-technical)

in 2012 reached 13.26%, 0.63 percentage points above that of 2011 (12.63%).

In winter, several types of home-manufactured appliances used for heating and supplying hot water continued to be used in deprived homes with no access to the natural gas network. The massive and simultaneous use of such appliances during winter causes a greater energy demand to the network, particularly

in areas such as Morón and Pilar, where new deprived homes are identified as well as the expansion of existing ones. Energy theft by these deprived homes was the most important factor in the increase of total losses. In second place, the reduced number of actions, conflicts with unions held over time and some problems caused by the change in the commercial system, adversely influenced the target sought.

The Company continued working closely with its legal advisors to criminally report the most significant fraud cases by non-deprived clients and to re-define new technological criteria to reduce the facilities vulnerability.

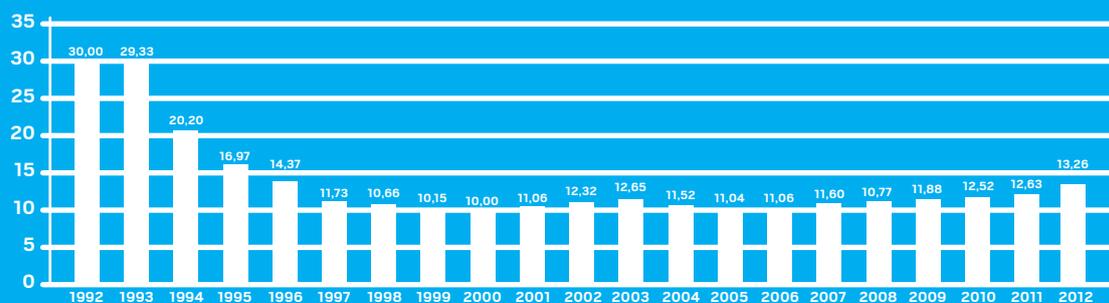
Regarding energy recovery, 1,600 clandestine customers and 3,800 inactive customers were standardized, representing a reduction of 3,000 standardized clients as compared to 2011. In addition, 95,000 R1 inspections were conducted with 46% effectiveness resulting in small dwellings being shielded and made suitable, and networks and connections being standardized.

Certain anti-fraud inspections were carried out in deprived neighborhoods and malls.

The following figure depicts the annual rate progress of energy losses since the beginning of Edenor's management.



## ENERGY LOSSES ANNUAL RATE (%)



**DELINQUENCY MANAGEMENT**

During 2012, the delinquency balance expressed in equivalent invoicing days increased from 7.67 days to 9.31 days (as of September 2012).

The delinquency balance was adversely affected by the preliminary injunction served on Edenor in January 2009 in legal action 15/2009 filed by Ombudsman. Such injunction prevents Edenor from taking delinquency-related actions based on the interruption of supply to those customers with a consumption exceeding 1,000 kWh on a bi-monthly basis and with a delinquency status for being reluctant to pay rate increases; considering that the new rate scheme had the greatest increase level on consumption exceeding 1,000 kWh, this injunction altered normal development of collections.

In addition, during the year, the municipal balance resulting from offsetting the invoicing of street lightning and agencies and the Fee recorded a noticeable increase. In September 2012, the amount totaled AR\$12,3 billion. After tough negotiations, payment plans were agreed and this balance was finally collected in full by late 2012.

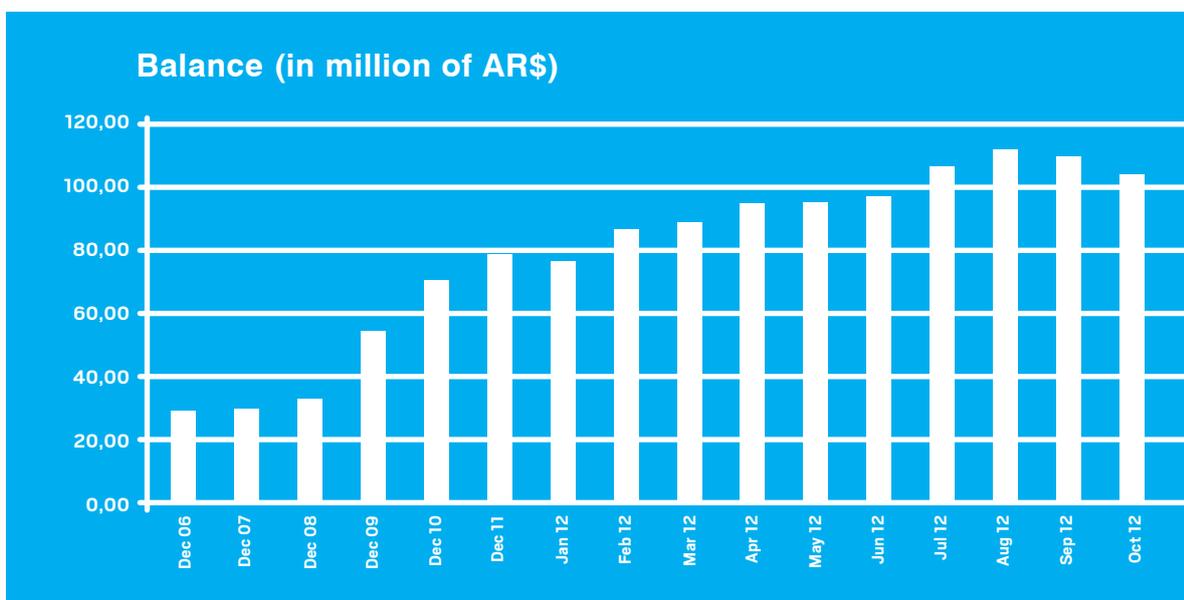
Another segment that also increased the balance is that of Large Clients and official Clients.

During the year under analysis, a comprehensive plan continued aimed at dealing with any rise in delinquency cases with alternative actions which did not interfere with the preliminary injunction imposed on Edenor.

Such actions included:

- Special payment reminders to encourage delinquent customers to pay.
- Customized telephone calls to negotiate and encourage delinquent customers to pay.
- Specific electric actions.
- Rate re-categorizations resulting from in situ Inquiries.
- Payment recovery actions in the case of accounts with significant overdue balances, by means of legal actions.

As a result of this plan, collections of overdue accounts involved in all the processes and actions described above amounted to AR\$2.2 billion and payment plans for AR\$2,01 billion were signed.



Balance as of October 2012: AR\$106,81 billion

Collections from inactive accounts (belonging to customers whose electric supply was disconnected by removing their gauge) have reached an aggregate amount of AR\$2,13 billion.

**TECHNICAL MANAGEMENT**

Within the period, the following technical operative actions were primarily taken.

**2012 TECHNICAL ACTIONS**

ACTS	CONCEPT		AMOUNTS	
MT-BT Preventive Maintenance	Reviews	Eye reviews	Platforms (u)	15,239
			Conductors and posts (km)	38,480
			Eye review corner box, mailbox/wall-like cabinet, connection wires (u)	20,637
		Thermo graphics	Conductors (km)	623
			Terminals, Platforms and Chambers (u)	4,094
	Adjustments	Posts, Protection/handling elements (u)		24,091
		Changes in conductors (mt.)		46,097
		Tree pruning (u)		141,994
MT-BT Remedial Maintenance	Claims in air and underground network (u)		449,125	
	Changes in posts (u)		30,941	
	Connections and repair of terminals in underground networks (u)		9,485	
	Change in protection and handling equipment in chambers and platforms (u)		6,579	
	Tree pruning (u)		6,036	
	Change in transformers (u)		894	
Energy Recovery	Inspections T1, T2 and T3 (u)		130,626	
Investments	Projects (u)		7,455	

This year was characterized by different adverse weather phenomena causing sizeable damages to the Medium Voltage and High Voltage Distribution networks resulting in the launching of the Emergency Operating Plan in those occasions, leading to the effective standardization of the service.

Technician training and recycling courses continued so as to enhance workforce and quality in operation and maintenance of the network.

Audits for certification were successfully passed, to wit:

- » Emergency Operating Plan (Plan Operativo de Emergencia, NG3-POE);
  - » Public Security System (ENRE Resolution No. 311/01)
  - » Comprehensive Management System (Sistema de Gestión Integrado) (Quality, Safety and Environment)
- » In the High Voltage area, improvements were made in the development of planning and maintenance tasks, among which the following stand out:
- » Operation staff members specialized in maintenance of medium voltage premises following Voltage Tasks techniques were incorporated as well as the equipment necessary to have: 10 Contact teams, 2 Distance teams, 3 Camera teams and 2 Reviewers teams.
    - Procedures were adjusted and stages were completed, all necessary for the Accreditation of the Dielectric Test Lab for Protection Elements used in Voltage Tasks with the Argentine Accreditation Agency (Organismo Argentino de Acreditación, OAA) so as to complete such accreditation and make sale of services possible.
  - » The project launched in 2010 under an agreement with Universidad Tecnológica Nacional in Pacheco for Research and Development to measure hydraulic location of leaks in OF wires was completed. This project met the goals after developing a measurement method and the equipment necessary to locate leaks. Out of a total of 26 measurement conducted with the equipment developed, in 46% of cases,

measurement delivered acceptable values of location. Such experience allowed for: defining limitations of the method applied (volumes inferior to 150 liters/month, double or multiples leaks, increased thermal flow), assessing economic benefits of this method compared to the conventional method (freezing) and teaching and training of professionals to continue with the developments and with improvements.

- » Also, under the agreement with the Universidad Tecnológica Nacional de Pacheco for Research and Development, the project for the analysis of measurement techniques for early screening of failures in electric isolators and diagnosis of the condition of the isolation in transformers and equipment of high voltage. To that end, partial discharges with TRANSENER staff and equipment and the University staff were made, and the purchase of a measurement equipment for partial discharges started for Edenor.
- » A 220kV underground electroduct was put into operation, linking Substations Costanera and Malaver and the 220 kV plot (with double bar system) and the new 300 MVA transformer and 220/132kV in Substation Malaver, thus completing the work started in 2011 of 220 kV closure between P. Nuevo – Malaver – Costanera (54 and 60 wires). This work enables the discharge of energy generated at power stations located in the City of Buenos Aires, thus improving the operating possibilities in 132 kV subsystems.
- » Installed power in 132/13.2 transformation was increased with the start-up of the new Substation Tecnópolis, and the energy availability was enlarged through the laying in Substation Rotonda of the medium voltage wires connecting that Substation with the energy generation in power stations San Miguel and San Martín.
- » Technology refurbishing continued by replacing 220, 132 and 13.2 kV, circuit breakers with air compressed and reduced oil volume technology in SF6 or with vacuum.
- » Automatic notice mode was created, by means of e-mails from SCADA of the Control Center, of: forced affectation cases, alarms

of “protection failures” of medium voltage equipment and alarm of “open battery”. These notices, received by the members of the Head Office with decision-making power on related issues, allow for actions to be taken faster and in a more coordinated manner upon such cases and to mitigate risks of related failures.

- » 132/13.2 kV transformers bushings were precautionary replaced, which were part of the batch with discharges in TR1 transformers of Rotonda and TR1 of La Reja during late 2011 and early 2012. Also, a special maintenance plan applied to MR regulators installed in 80 MVA transformers, which were part of a batch with failures (TR1 and TR2 of Substation Casanova and TR1 of Substation Castelar).
- » As regards training, the first module was prepared (together with Training staff) of the course on “Substations Operation”. This module, which was provided to Operation Supervisors in 2012 and which will be extended to Heads and members of the Operation teams, is aimed at: expanding knowledge on equipments of substations, their construction types, technologies used in equipment making them up and testing methods of such equipment (for their commissioning and after their maintenance).
- » In the Control Center area:
  - » The operation capacity of the low voltage control center continued to be expanded.
  - » Operation and handling equipment of the Medium Voltage distribution network continued to be adjusted, from old-dated technology, for their telecontrol.
  - » The telemonitoring plan of voltage short-circuit indicators in the medium voltage network was deepened, exceeding 1000 points.
  - » In 2012, protocolization tests of signs, measurements and controls in the telecontrol equipment in Substations finished. This innovation is aimed at removing a significant part of the wire lying interconnecting the Remote Terminal Unit with the Substation. This technology, once being applied, will lead to the reduction in

work costs and times in new Substations. In addition, maintenance is improved thanks to the removal of any failure points.

» In Operation areas:

**MORON**

- » 4 new Medium Voltage outlets were added in different new Substations to improve the service quality in critical areas and loads were rearranged in other 12 feeders, among them, it is worth noting the second 33 kV link of the Centro de Rebaje “Oro Verde”.
- » 91 new Conversion Centers were added, increasing installed power by 25320 kVA to 63 Centers for troubleshooting of Service Quality and Product Quality. Power installed in existing 275 Conversion Centers was increased, representing a 29890 kVA increase. In addition, 32 km of Low Voltage network in poor condition or of improper section were renewed for troubleshooting of Service Quality and Product Quality and 224 new outlets were performed to solve saturation-related problems, further contributing to reduce energy technical losses
- » Supply requests were received from new clients: Plastar S.A. for 3000 kW, Hospital de Laferrere 2600 kW, Agroindustrias Baires 1905 kW, AySA Southwest Plant Stage II 1900 kW, Hospital Morón 1350 kW, Hospital de Rafael Castillo 1200 kW, Hospital Materno Infantil de Laferrere 1100 kW, Lady Stork 900 kW, Energy Group SA 800 kW, M.A. De Marzio 470 kW, Red Celeste y Blanca 400 kW, C.G.R 400 kW and Clínica Privada Provincial de Merlo 258 kW.
- » Clients: IECSA (tunneling work for railway line Sarmiento) with 9440 kW, Siderar 2500 kW, Kronen Internacional 1400 kW, Cervecería Quilmes 1200 kW, Cabaña Argentina 900 kW, Franvitex 800 kW and Productos Trío 410 kW, were connected to the network.
- » New networks continued to be developed for neighborhoods under the Federal Housing Plan (Plan Federal de Viviendas) located in the districts of Merlo, Morón, Marcos Paz, Las Heras and La Matanza. Works for the energization were carried out in the following neighbors: “La Bastilla” in

La Matanza with 450 dwellings, "El Zorzal" in Marcos Paz with 274 dwellings, "Parque San Martín" in Merlo with 190 dwellings and B° 48 dwellings in Las Heras.

- » Together with the company CyCSA, permits were obtained and optic fiber cables were laid on low voltage posts in the Municipalities of Morón and Hurlingham and negotiations continued in Municipalities of Merlo, La Matanza and Ituzaingó. In this manner, handling elements will be telemonitored and CyCSA will also be able to negotiate the remaining fiber capacity.
- » Structuring and improvement of electric networks works were started to be performed in the Municipalities of Ituzaingó and Morón, and studies continued in the Municipalities of Merlo, and La Matanza.

#### NORTE

- » 76 new Conversion Centers with a 72 MVA voltage, 4 medium voltage and 174 low voltage feeders were put into service to satisfy the increased demand and growth and to improve service quality
- » 65 km Medium Voltage wire, 71 km Low Voltage underground wire, and 15 km Low Voltage Air Line were installed for the purposes of satisfying the increased demand and improving service quality
- » 66 BT Areas, 1200 Outlet Boxes were adjusted and upgraded and 50 handling and leveling protection boxes were replaced by Mailbox-type boxes, to improve the Service Quality and Public Safety
- » In compliance with the Safety Plan in Public Thoroughfare, 138 fireguard equipment were installed in CCTT found inside buildings to physically isolate both rooms in the event of fire. Also, 17,429 measurement appliances covers and 355 locks were adjusted in Conversion Centers.
- » 5,303 Low Voltage posts were replaced in the Municipalities of 3 de Febrero and San Martín.
- » 82 Short-circuit indicators were installed in medium voltage network.

#### OLIVOS

- » New Conversion Centers and new networks started to be built to feed the squatter settlements and poor neighborhoods in

the districts of Tigre, San Fernando and Escobar, some of which are covered by the Squatter Settlements Eradication Plan (Plan de Erradicación de Villas de Emergencia) promoted by the Government of the Province of Buenos Aires through various municipalities

- » 97 new Conversion Centers have been assembled and installed throughout Olivos.
- » Connection works of clients as Complejo El Canton, Jhonson, Chateau de Nordelta, Home del Palmar, Posadas Nordelta, Oficinas Noroc, Civis Tortugas, Loginter, Sinergium Biotech, Rivera Desarrollos (torre La Nación ), Palmas de la Bahía, Praderas de Santa Bárbara, Club Social Beccar, Aysa Dique Lujan, Vientos del Delta, AWWA and Coto were carried out and completed
- » Installations continued to be re-located as a consequence of civil works performed in the second tranche of the re-paving and renewal of Route No. 27 in Tigre and completion of Route No. 202 in San Fernando.
- » 4 new Medium Voltage feeders were built and commissioned in the cities of Benavidez, Pacheco and San Fernando.
- » The new Substation Tecnópolis was put into service, and the work completion is pending.
- » The Escobar Distribution Center was repowered and more than 6 km of new line in double three foil formation and medium voltage were built in 33 kV as additional feeding.
- » 3.5 km Low Voltage Air Line were renewed for feeding Harás Santa María in the district of Escobar.

#### PILAR

- » 1 new Medium Voltage feeder was added in Substation Paso de Rey to be used for discharges of SE LA Reja, another feeder was added in Substation Ford to improve the service quality in a critical area called El Triángulo (industrial area delimited by Ruta Panamericana in its entries to Pilar and Escobar) in the district of Tortuguitas. In addition, Medium Voltage closures were made between feeders in Substations Nogues, Catonas and Malvinas.
- » Some of the most important customers are Racsá with a 1.4 MW power, Hempel 1,3

MW, Gador 1,2 MW, Complejo Palmas de Pilar 1,7 MW, Binbaires 1,3 MW and Axis Logística. Also, private residential areas San Sebastian and Pilará with 15MW power expected for 2020 and 7MW power for 2015, respectively.

- » 49 Medium/Low Voltage Conversion Centers were built and other 141 Conversion Centers were expanded.
- » Installed power in Medium/Low Voltage transformers has increased by 31.02MVA (6.92MVA new and 24.10 increases).
- » 9.7 Km of overhead network and 4.5 Km of underground network were laid, both of Medium Voltage.
- » 50.8 km of overhead network and 5.8 km of underground network were laid, both of Low Voltage.
- » A new neighborhood under the Federal Housing Plan was connected, in J. C. Paz (690 houses).
- » In 2012, 9,029 Low Voltage posts and 776 Medium Voltage posts were changed.
- » 1,275 clandestinely connected customers with poor feeding were regularized.
- » It is worth mentioning that adjustment are being carried out in the areas of General Rodriguez, Moreno, Paso del Rey, Catonas and La Reja, which were devastated by a tornado on 04/04/12, the worst one in the last 50 years.



## SERVICE QUALITY

Continuity indicators series for High Voltage (Alta Tensión, "AT") and Medium Voltage (Media Tensión, "MT") levels, Medium Interruption Frequency with installed kVA (Frecuencia Media de Interrupción por kVA instalado, "FMIK") and Total Interruption Time with kVA (Tiempo Total de Interrupción por kVA, "TTIK") for the last 5 years are the following:

FMIK (Times)	2008	2009	2010	2011	2012 (*)
External AT	0.17	0.00	0.02	0.01	0.02
Own AT	0.52	0.05	0.30	0.28	0.44
Own MT	3.41	4.36	4.79	4.44	5.86
Total Own Network	3.92	4.41	5.09	4.72	6.29
Observed by Customer	4.10	4.42	5.12	4.73	6.31

TTIK (Hours)	2008	2009	2010	2011	2012 (*)
External AT	0.25	0.00	0.06	0.02	0.09
Own AT	0.58	0.01	0.18	0.14	0.39
Own MT	7.48	8.78	10.36	11.55	17.05
Total Own Network	8.06	8.79	10.54	11.69	17.44
Observed by Customer	8.31	8.79	10.62	11.71	17.53

(\*)2012 estimated.

These indicators represent the average number of outages and downtime for each kVA of the transformers with Medium/Low Voltage and the contracted powers of Medium/High Voltage customers, i.e., the sole performance of Medium and High Voltage networks,

Together with the continuity indicators FMIK and TTIK, the international indicators System Average Interruption Duration Index ("SAIDI") and System Average Interruption Frequency Index ("SAIFI") are also reported, as recommended by IEEE 1366,

These indicators include the component of Low Voltage network and are analogous to FMIK and TTIK; however, the estimation base is currently the number of customers instead of kVA with Medium/Low Voltage.



They offer the advantage of enabling a global network vision, but at the same time the importance of the affected facilities weighting is lost, as a residential customer with Low Voltage has the same indicator weight as a large customer with High Voltage, Continuity indicators, SAIDI and SAIFI series for the last 5 years were the following:

SAIFI (Times)	2008	2009	2010	2011	2012 (*)
External AT	0.14	0.00	0.01	0.01	0.01
Own AT	0.53	0.05	0.25	0.26	0.42
Own MT	3.82	4.44	4.81	4.29	5.66
Own BT	1.21	1.18	1.34	1.01	1.04
Total Own Network	5.57	5.66	6.40	5.56	7.12
Observed by Customer	5.71	5.66	6.41	5.57	7.13

SAIDI (Hours)	2008	2009	2010	2011	2012 (*)
External AT	0.09	0.00	0.03	0.01	0.03
Own AT	0.59	0.03	0.14	0.14	0.39
Own MT	8.19	8.54	9.80	11.01	16.24
Own BT	4.74	4.47	7.10	8.54	10.21
Total Own Network	13.52	13.04	17.04	19.97	26.85
Observed by Customer	13.61	13.04	17.07	19.98	26.88

(\*) 2012 estimated.

2012 was characterized by significant weather impacts on the Concession Area, to wit, constant high temperatures and powerful storms with rainfalls exceeding historical marks due to their concentration and frequency causing floods that, in many cases apart from their direct effects on premises, caused service interruptions for public thoroughfare safety reasons. In addition, on April 4, 2012, a one-of-the-kind phenomenon took place, of tornado-type with howling winds that, as per the technical report prepared by a widely known specialized company, in some cases were beyond 200 km/hour, in an area ranging from the district of Gral. Rodríguez to Marcos Paz, in West-East direction. Major affected districts were Ituzaingó, Morón, La Matanza, Merlo and Moreno, among others. Around 5 500 CT MT/BT connections were interrupted, and in addition to the direct damages on wirings, home buildings, trees and street signs were largely destroyed, adversely affecting networks with elements swept away by the winds.

These weather disasters are noticeably repeated and, on December 10, 2012, other similar tornado virtually destroyed wirings feeding the second and third section of islands, in a largely tree-covered area, requiring total re-building of sets of ten of kilometers of medium voltage and low voltage networks, apart from the relevant Conversion Centers.

The demand maximum historic value for Edenor was registered on 06/06/12 with 452.7 MW, but the maximum energy delivery to the network was dated 07/11/12 with 88,7 GWh.

### PRODUCT QUALITY

When it comes to voltage and disruptions control campaigns as requested by ENRE Resolution 184/00, the required number of measurements were made during 2012, as well as the calibration and certification of the recording equipment park.

In accordance with the updating and replacement policy of disruptions control equipment, in 2012 one new Harmonic control equipment (nationally manufactured) was purchased. During 2013,

according to the replacement policy, recording equipment to control disruptions will continued to be purchased, to replace the oldest ones, as the latter are manufactured abroad and their models import will then be interrupted and purchase of spare parts will be difficult. Electrical parameters controlled by network disruptions recording equipment are being reviewed, emphasizing the early detection of potential diversions.

In such network points where punishable deviations were recorded in relation to the quality of the delivered technical product, systematic reports are issued to optimize investment focused on enhancing the quality of the product delivered.

Regarding customers' claims measurements, ENRE now requires all measurements to last 7 days, instead of the former 3-day measurements, reducing service terms due to the implementation of an online communication system. To comply with those ENRE requirements, a new internal follow-up system was developed and it was further agreed with the independent contractor in charge of the measurement campaigns of Product Quality to add 70 single-phase pieces of equipment for voltage control and 5 three-phase pieces of equipment, all nationally-manufactured, to replace out-of-service equipment and to meet the new requirements.

### BUSINESS MANAGEMENT

Energy demand had a 3.3% year-over-year increase in 2012.

Performance of residential demand was critical in this upward trend, both due to its year-over-year increase (6.4%) and to its high share in the demand total volume (around 41.8%).

Large demands, with a share similar to that of residential demands (36.6%) recorded the same levels than in 2011, with no year-over-year upturn.

Increase/decrease in demand of the main activities of large demands was as follows:

Activity	Demand %
Basic services (Electricity, natural gas and water).	-6%
Food, beverage and tobacco products	+0.2%
Non-metallic mineral products	-5.9%
Metallic products, equipment and machinery	-3.4%
Trade	-3.1%
Community, social and personal services	+12.5%
Transport, storage and communications	-1.6%
Chemicals	-0.4%
Paper and paper-derived products	+0.4%
Basic metallic industries	-11.1%
Wood and wood products	+0.5%
Textile products	-5.1%

Small demands for general use up to 10 kW (T1G) recorded a 5.5% upward trend. This segment has a relatively low share in total demand (8.1%), therefore its contribution to the increase of such segment is noticeably lower than that of large and residential customers.

Medium demands between 10 kW and 50 kW (T2) reflected a 1% rise. This segment also has a share in total demand equal to that of small demands (8.3%), representing an 2.5% contribution to the total demand flow.

In 2012, emergency squatter settlements, with an aggregate demand share of 2%, recorded a growth rate of 6.3%. Energy volume distributed in Edenor's area, including energy sales and tolls, was 20,760 GWh, while energy purchases to supply such demand totaled 23,933 GWh, representing a 4.04% increase as compared to the previous year.

During 2012, 33,952 (as of September) new customers were connected, representing a contracted power increase of 222.1 MW. This power was distributed according to the following chart:

Rate	Customers	Power (MW)
T1 Small demands	33,565	157.3
T2 Medium demands	289	7.3
T3 Large demands	98	57.5
Total (as of September)	33,952	222.1

Text messages ("SMS") used to make questions and technical claims continued as an important contact channel used by clients. It represented 6.5% of all calls received by the Customer Care Center and is mostly used during weather contingencies to submit technical claims for lack of supply.

As for the last 20 years, Edenor conducted the study on Overall Satisfaction. In 2012, consolidated customer satisfaction was of 80.3% (T1R) with the electric energy service ranking second with respect to other utility services. It should be noted that despite context-related problems and tough it is slightly inferior to that of 2011, Satisfaction ranks at very acceptable levels.

Though by late 2011, the Argentine Government resolved to gradually remove subsidies on consumption, as from December 1, the process was extended to May, reaching 216,500 clients. As the client had the possibility to request the Ministry of Planning not to remove the subsidy by an affidavit provided certain requirements are complied with, 28,500 Clients have the subsidy back until such Ministry's ruling whether the background information filed by those clients are covered under the pre-agreed grounds for non-removal. Though no more clients were affected, there is a possibility for this process to be re-activated.

On November 1, 2012, a new business World Class (CC&B) system was applied to T1/2 clients (up to 50 kW power) which allows for the faster finding of information, improvement of operative

efficiency and, consequently, the client service quality. The system is being implemented and it is expected to be in full operation in the near future.

### LARGE CUSTOMERS

As mentioned above, in 2012, large demand recorded a 0.5% growth. This outcome derives from an increase in Rate 3 (Tarifa 3, T3) demand of energy of -2.6% and an increase in toll demand of energy of 3.1%. During 2012, 108 T3 customers and 24 large users were connected to service. Delinquency was equal to 7.04 days of invoicing (results as of 10/31/2012). Pursuant to the Energy Secretariat Resolution 1281/06, Edenor continued contracting power and base and plus energy supply on behalf of seventeen new customers and renewed supply agreements with other forty seven customers.

During 2012, services were sold to Large Customers for an amount of AR\$ 5,530,000 in the following line items:

- » Projects and works: AR\$ 3,000,000
- » Maintenance: AR\$ 370,000
- » Counseling and other: AR\$ 2,160,000

According to measurements conducted, Large Customers satisfaction was sensitively reduced from a positive result of 78.8% in 2011 to 67% in 2012.

The following chart shows the progress of Edenor's open market with respect to large users and marketed energy volume:

	N° Clients	Guma GWh	Gume y Gupas N° Clients	GWh	Share in energy sales
1995	72	681	118	150	8.5%
1996	87	1366	204	536	18.0%
1997	109	1749	312	708	21.4%
1998	124	2072	563	953	24.7%
1999	124	2082	575	1160	25.0%
2000	121	2118	516	1153	24.0%
2001	114	2009	650	1131	22.9%
2002	79	1552	627	1022	19.8%
2003	71	1440	232	909	17.0%
2004	71	1459	313	641	14.3%
2005	80	1707	624	1268	19.0%
2006	81	1887	426	1315	19.3%
2007	93	1964	477	1147	17.4%
2008	98	2334	526	1360	20.0%
2009	100	2262	534	1361	19.9%
2010	100	2459	541	1432	20.2%
2011	100	2536	580	1620	20.7%
2012	101	2561	603	1713	20.7%





It



During 2012, the implementation of the IT and Telecommunication Plan continued.

#### IT

- » In November, the second phase of the new commercial system CC&B (CustomerCare&Billing) was finally implemented, under a license purchased from Oracle, covering commercial management of Small and Mid-sized demands, adding 2.7 billion of customer to the system, which was already in operation since 2011 for Large Customers.
- » This is a milestone for Edenor as it has a state-of-the-art system replacing any outdated technology with over 15 years. The project provides for the implementation of a meter administration module of all clients through SAP, replacing former Sadme system.
- » In August, a new reading system was implemented, covering management of reading conveyed from CC&B to a portal to which Contractors have access, as well as loading and conveyance of data from the new portable terminals used by the readers in field.
- » In December, the total replacement of the park comprising 2,200 desktop computers and notebooks was completed, according to the services mode under an agreement executed with Dell. The project also included the installation of new version of applications compatible with Windows 7 and Office 2010, redefinition of security policies and preparation of every piece of equipment removed for donation purposes.
- » In November, the renewal of the data network of Edificio Guzmán (header of North area) was completed, a project providing for re-installation of 300 posts, replacement of switches, racks, wiring and installation of safe energy.
- » During June, Edenor's new Intranet was implemented, using Sharepoint by Microsoft. The project also included building of several collaborative spaces for different areas of the Company.
- » In July, SAP was implemented in subsidiary EDEN, installing a model similar to that of EDENOR with all features.
- » The module PM of SAP was implemented for the Management of vehicular fleet and maintenance of buildings.
- » As regards Nexus system, many activities were carried out intended for the better provision, stability and performance of this application. A feature for re-inference of claims was deployed, a new service monitoring module and upgrades in the processes of Quality Assurance.
- » The project for the Classification of Assets was completed together with the Control Management, covering Edenor's core systems. During this project, the risk map was finely analyzed in terms of availability, integrity and confidentiality of the information.
- » As regards Information Security:
  - » A product was purchased for administering critical users passwords.

- » A new antivirus software was installed in Windows licenses, reducing the licensing cost.
- » Penetration tests were made to evaluate internal security of installations.

## TELECOMMUNICATIONS

- » During the year, connectivity and start-up of 450 Km of optic fiber were implemented on low voltage posts, thus providing connectivity to Substations, Corporate Buildings and Commercial Offices. This project was divided into 3 Implementation Stages and covered 50 sites of Edenor with a connectivity of 49 links to 100 Mbps of broadband with capacity to enlarge its capacity up to 1 Gbps/10 Gbps. To provide such connectivity, 50 Optical equipment were used, deploying a cutting edge network (Carrier Ethernet). This network was deployed in the districts of Vicente López, 3 de Febrero, Morón, Matanza, Hurlingham, Ituzaingó, Escobar, Pilar, Rodriguez, Moreno, JC.Paz, San Miguel and San Martín. This allowed for an improved availability of Telecommunication networks and enlarged Transport capacity so as to support all current and future applications with an enhanced service quality.
- » 18 new Trame Nodes were purchased to upgrade the Telecontrol network and to provide Ethernet/TCP connectivity to all new substations and to remote ones under the IEC 60870-5-104 protocol. All this allows for an improved SCADA connectivity and to support the technological development of new Telecontrol remote stations. In addition, more flexible and safer access to SACME was provided with a new backup center and the implementation with a new SCADA by them.
- » The start-up of the new cutting edge IVR platform was carried out (GVP by Genesys) with capacity for 120 customer service ports, integrating our Technical system (Nexus) and the new Business system (CC&B) for clients prompt interaction upon any Technical or Business requirements.
- » For the purposes of adjusting Substations installations to the new connectivity technologies, in compliance with international standards as IEC 61.850 – 3 , several pieces of equipment were installed in line with those standards in substations Rodriguez, Morón, Matanza, Colegiales, Edison and Pilar. This network will provide connectivity to Protection and Telecontrol equipment.
- » Migration and adjustment of remote stations of the Telesupervision system of OF Cables with security systems of Access Control and improvements to the Management system
- » Provisions of 1000 SIMs to the Telemeasurement system of Medium Voltage Network reporting to the SCADA System was arranged.
- » In 2012, the following works were carried out in Substations:
  - » Installation and start-up of all Telecommunication systems to generators San Miguel, Pilar and San Martín.
  - » Installation and start-up of all Telecommunication systems in Substation Tecnópolis.
  - » Provision, installation, reception and start-up of the Access Control System and Video Surveillance to substations Sevel, Melo, Morón and Edif. Austria.
- » As regards improvement initiatives, many actions were deployed in Telecommunications:
  - » A Communication pilot was mounted on RF technology for the purpose of providing communications to Telecontrol systems on Transformer Centers (Centros de Transformación, CT). Accordingly, 3 CT were planned to be connected through Optic Fiber already deployed in the district of V.Lopez.





*Related parties*

## Related parties

### DESCRIPTION OF THE ECONOMIC GROUP

Edenor is a company under Pampa Energía S.A.'s control, the largest integrated energy company in Argentina. Pampa Energía S.A. is a publicly-held utility company listed at the Buenos Aires Stock Exchange (Bolsa de Comercio de Buenos Aires) (BCBA: PAMP) and at the New York Stock Exchange (NYSE: PAM). Its executive officers have outstanding track record and experience in energy investments in Argentina since 2005.

Through its subsidiaries, Pampa Energía S.A. participates in the generation, transport and distribution of electricity:

#### **In generation, it has:**

- Nihuiles Hydroelectric Power Station
- Diamante Hydroelectric Power Station
- Güemes Steam Power Station
- Piedra Buena Steam Power Station
- Loma de la Lata Steam Power Station
- Central Térmica Piquirenda

#### **In transmission, it has:**

- Transener
- Transba

#### **In distribution, it has:**

- Edenor
- Eden
- Edelar



**MOST SIGNIFICANT OPERATIONS WITH RELATED PARTIE**

**Financial Services Agreement with EASA**

On April 4, 2006, the Company signed a Financial Services Agreement with Electricidad Argentina S.A. (EASA), under which EASA shall render advisory services, as well as services related to the potential development of new business lines consistent with the corporate purposes of the Company. Services to be developed by EASA include assistance and advice regarding the financial return; group of financial generation and decision making process of the Company; commitment by financial advisory companies and development of new financial products; restructuring of the Company's commercial and financial debt and the feasibility, profitability and implementation of new businesses, derivative hedging and strategies; relation with local and foreign financial entities; financial aspects of the process of rate renegotiation; and concession contract and annual budget of the Company.

The agreement shall be in force for five years as from September 2005, and each of the parties may terminate it at any time without any cause with notice given at least 60 days in advance. The consideration to be received by EASA is of US\$2 million per year, plus VAT.

In April 2008, the Company's Board of Directors approved an amendment to the agreement executed with EASA, by means of which the amount to be paid by the Company as consideration for the services rendered by EASA was increased to US\$2.5 million, plus VAT, payable retroactively from January 1, 2008.

Moreover, on August 26, 2010, a new amendment to the originally-executed Agreement was signed, extending the term of the agreement by five years as from September 19, 2010. Said amendment was approved by the Company's Board of Directors at the meeting held on August 31, 2010.

**AGREEMENT WITH COMUNICACIONES Y CONSUMOS S.A.**

On March 16, 2007, the Company executed an agreement with Comunicaciones y Consumos S.A. (CYCSA), according to which it granted CYCSA the exclusive right to render telecommunication services to the Company's customers through the use of its web site, in accordance with Decree 764/2000 of the Argentine Executive Branch, which contemplates the integration of voice communication services, the transmission of information and images through the existing infrastructure of energy distribution companies like the Company. Under the provisions of this agreement, CYCSA shall be responsible for all expenses related to the maintenance and adjustment of the Company's web site to be used in the rendering of its telecommunication services. The agreement shall be valid for a term of ten years from the date the license for the rendering of CYCSA telecommunication services is approved. The agreement also contemplates its automatic renewal at the expiration of each term for subsequent 5-year periods, unless any of the parties notifies otherwise with at least 120 days prior to the expiration of the relevant period. Pursuant to the agreement, CYCSA shall make periodic requests to access the Company's web site, which the Company shall evaluate and authorize depending on the capacity available in its web site. In exchange for the use of its web site, CYCSA shall give the Company 2% of its annual charges to the customers, before taxes, as well as 10% of income obtained from the rendering of its services. Also, CYCSA shall indemnify the Company against any liability arising out of the rendering of its services through its web site. The contract was executed subject to the condition that CYCSA had to obtain the telecommunication license in a term of 180 days from its execution, which were provided to be subject to extension. In this respect, on November 7, 2007 and May 7, 2008, the Board of Directors authorized such term extensions to obtain the license referred to, which was eventually granted by Resolution 179/2008 of the Argentine Communications Secretary.

Furthermore, on October 27, 2008 the first exhibit to the contract of Granting of Permission for the Use of the Energy Distribution Web was executed, by means of which the Company granted CYCSA the right to use posts and airline towers of high, medium and low voltage and ducts and/or triple ducts that accompany the pipes of high, medium and low voltage for the installation of optical fiber belonging to CYCSA, subject to the condition that said optical fiber does not affect the normal rendering of the Public Service. Also, such exhibit grants the Company the right to use part of the capacity of the optical fiber to be installed. It is worth noting that the Company's Board of Directors resolved to approve the above mentioned exhibit in its meeting held on November 5, 2008.

Likewise, in November, 2008 the second exhibit to the contract was executed, extending the term of validity from ten to twenty years, counted as from its effective date. In this respect, the Company's Board of Directors approved the above mentioned exhibit on December 18, 2008.

#### **Agreement with Préstamos y Servicios S.A.**

On March 16, 2007, the Company executed an agreement with Préstamos y Servicios S.A. ("PYSSA"), a financial services company, under which it agreed to grant PYSSA the exclusive right to render its direct and marketing services through the use of its facilities and mail services. As part of this agreement, the Company agreed to establish special modules in some of their offices through which PYSSA shall offer its financial services and lending services to the Company's customers. Furthermore, the Company agreed to include marketing material for PYSSA in the mail sent to its customers, including bills. The agreement shall be valid for five years and its validity shall be automatically renewed by subsequent periods of five years, subject to the right of the Company and of PYSSA to terminate the agreement by means of a notice given at least 120 days prior to the expiration of the relevant period. Under the

provisions of the agreement, PYSSA shall pay the Company the 2% of its monthly charges to the customers, before taxes, as well as 10% of income obtained from its services. Also, PYSSA has agreed to indemnify the Company against any liability arising out of the rendering of its services. The agreement provided that its validity was subject to the authorization of the ENRE, which rendered a favorable decision by means of its Resolution No. 381/2007.

The activities linked to the mentioned contract are temporarily suspended in the Company's offices.

# 5

Annual report

ANNUAL REPORT

ANNUAL REPORT

## 2012



# Atención al cliente 1



*Corporate social  
responsibility*



## Corporate social responsibility

### INDUSTRIAL SAFETY

#### **Certification of Management under OHSAS Rule 18,001**

The management of Industrial Safety is conducted as part of the Integrated Management system, and in what is specifically related to Security, the system is certified under OHSAS Rule 18,001 since 2005.

In December 2012, the Company received the annual Audit by the Argentine Institute of Standardization and Certification (Instituto Argentino de Normalización y Certificación, IRAM) with satisfactory results, thus continuing with the Certification.

#### **Safety and Occupational Health and Public Security Management Program**

The 2011 scheme for identification of Dangers and Risk Evaluation, inspection of works and building and accident ratios laid the basis to define the objectives and goals for 2012, which were included in the Integrated Management Program. The following objectives stood out among others:

- » Reduction by 5 % of accident frequency ratio for own staff.
- » Reduction by 10% of accident frequency ratio for contractors staff.
- » Reduction by 5 % of the accident severity ratio for own staff.
- » Reduction by 10% of accident frequency ratio for own staff.

- » Reduction of the number of deviations related to the use of PPE and ESC with respect to the 2011 goal.
- » Continued implementation of IRAM No. 3625 standard on working in confined spaces.
- » Carry out the Certification of IRAM No. 3926 standard on Safety of Lifting Equipment in Hydro-lifts.
- » Achieve Automatic Protection of Firefighting in Substation Colegiales and Substation Melo.
- » Installation of Automatic Systems of Fire Detection in Commercial Offices.
- » Adjustment of conditions in Edenor's premises to the Customers' expectations
- » Incorporation of new Safety technologies and procedures.

#### **Qualifying training for employees**

Throughout the year, the Industrial Safety division, together with the Training division, provided a course on prevention of electric risks. This course is addressed to all employees operating the electric network in Edenor's concession area. Employees must pass this course to be qualified to operate the medium and low voltage network. This training is coupled with several medical, physical and psychological exams and technical approval by the worker area.

If the course is passed, the Company provides a certification to the employee, so as to guarantee the employee's qualification and to prevent any risks related to the operation of the network.



**Continued delivery of Fireproof Working Clothes**

During 2012, Edenor continued using the fireproof fabric technology in working clothes provided to employees exposed to electric risks, for the purposes of minimizing any possible electric accident. This action was applied to all the Company's operative personnel.

**Works at a Height**

A procedure is being prepared focused on a safe method of rescue from heights for rising posts with climbing elements. This procedure applies to works in low and medium voltage networks in Public Thoroughfare.

**TCT Lab**

This Lab is in the process of certification under SRT Resolution 592/04, pursuant to IRAM 301 (ISO/IEC/17025), "General Requirements for scope of action of Testing and Calibration Labs" – 4th Edition – Sept/2005-.

**Participation in congresses**

• **Instituto Argentino Seguridad**

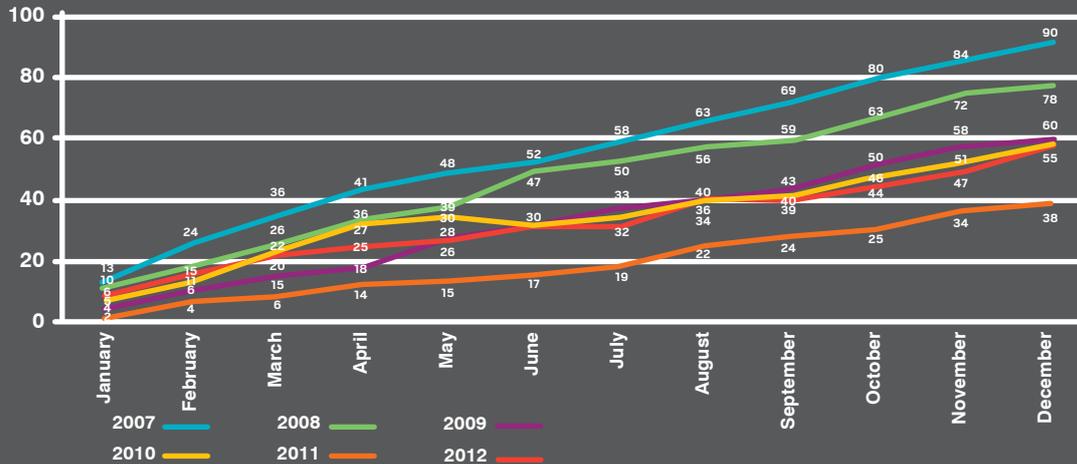
In April 2012, Edenor participated in XIV° Congreso Argentino de Seguridad, Salud Ocupacional, Recursos Humanos, Medio Ambiente y Comunidad (Argentine Congress on Safety, Occupational Health, Human Resources, Environment and Community). In such congress, the Company received the 3° prize for "Change of Supporting Isolators in Medium Voltage Air Lines".

**PUBLIC SAFETY**

**Third Party Accidents in the Public Thoroughfare**

Throughout 2012, 55 accidents occurred in the public thoroughfare related with Edenor facilities. This figure represents an increase compared to 2011. Nevertheless, the figure still reflects decreasing trend with respect to previous years.

**NUMBER OF ACCIDENTS 2007-2012**



The method of review of all Edenor's facilities clearly proved, once again, to be effective, and this task was verified by relating the number of irregular conditions detected with the number of accidents.

Out of the analysis of accidents occurred in 2012 in the public thoroughfare, it is concluded that most of them (80%) were caused by vandalism and negligent actions of third parties. This last case consists in the actions by users, other utility companies and municipalities or their contractors carried out in the Company's facilities.

Out of the accidents resulting from third parties negligent actions, 68% were caused by client's actions and the remaining percentage of accidents were caused by municipal workers and video cable companies workers.

#### **Relationships with Clients**

It should be highlighted the actions taken with Building Superintendents who have Conversion cameras in their buildings. Information was delivered describing safety measures and actions to be taken in case of accidents in the Company's facilities. The Company handed out 1590 brochures and posters.

Tips addressed to the public on Public Safety were posted in different media and included in bills.

The Company continued its contacts with schools presenting safety programs to which approximately 79,100 students had access in 164 premises.

#### **Certification**

During December 2012, IRAM Audit of the Public Safety System was successfully conducted as per new Resolution 421/2001. The Company received the certification of its Manual, Plans and Procedures of the Public Safety System.

### **QUALITY MANAGEMENT**

#### **Quality Management System**

As part of the Integrated Management System, the Quality Management System is certified under ISO 9001:2008 standard since 1999.

During December 2012, the certification was preserved by a qualified independent entity.

Participation in IRAM Quality Management Committee, whose Secretariat is under Edenor's charge, continued. The Company participates in the Quality Management Systems Sub-Committee (SC); Supporting Technologies Sub-Committee (SC3) and Concepts and Terminology (SC1).

Those Sub-Committees, which operate in IRAM, analyze the different documents of international agenda, where Argentina has to share its technical opinion and cast its vote.

#### **Quality Management and Assurance**

During 2012, improvements were made to ensure proper quality management.

A comprehensive system of metrics was developed, out of the 2012 Comprehensive Management System Program, including a strategically diagnosis broken-down in Targets, Goals and Actions weighted with numbers based on monthly results.

The analysis uses a traffic signaling system as a control board that efficiently displays the points where focus should be placed to meet the Targets, which, in turn, are aligned with the Vision and Mission of the company.

Furthermore, a report was released with follow-up indicators of monthly progress of Preventive Actions, Improvement Proposals and Non-conformities, as ordered by the Division, Management, Sub-management and Departments, in the IT system in effect (Loyal QMS), which allows for their timely and duly management.

In addition, effectiveness and age of documents of the Comprehensive Management System were diagnosed, taking the relevant actions.

The three-year program of internal audits of SGI- 2011/2013 was adjusted, with a total of 13 audits planned for 2012 period.

## ENVIRONMENTAL MANAGEMENT

Edenor is certified by ISO 14001 standard since 1999.

### Environmental impact

In 2012, Edenor obtained the Public Need and Interest certificates (certificados de Necesidad y Conveniencia Pública) issued by ENRE as well as the Environmental Fitness Certificates issued by the Provincial Entity for Sustainable Development (Organismo Provincial para el Desarrollo Sostenible) of the Province of Buenos Aires, for the following works: Expansion Substation Gral. Rodríguez, Electroduct Malvinas Pilar 132 Kv, Construction Substation Tecnópolis and Substation Manzone. Furthermore, in the case of the Construction of Substation Olivos, the certificate issued by ENRE was obtained.

In addition, seeking to improve its customers' quality of life at all times, Edenor obtained the Special Fitness Certificates for each of its warehouses, ensuring proper management of handling and final disposal of hazardous waste. Said certificates were granted by the Provincial Entity for Sustainable Development (Organismo Provincial para el Desarrollo Sostenible) of the Province of Buenos Aires.

### Monitoring Program

During 2012, Edenor was committed towards a monitoring program of those transformer centers located at places considered important for the population. 112 chambers were inspected, analyzing not only the regulatory compliance under Energy Secretariat Resolution 77/98 but also considering the intended use of premises adjacent to the centers so as to identify any possible current or future influence of emissions of electromagnetic fields from electrical equipment. In addition, 13 substations and 13 High Voltage lines were inspected.

### Measurements at substations, wires and High Voltage lines and Medium Voltage and Low Voltage CCTT

After analyzing the data gathered from Engineering and Investment and Environment

areas, 2 substations were adjusted, with sound level close to acceptable limits.

### Electromagnetic Fields in Conversion Centers

Control of interactions of electromagnetic fields is particularly important. In this regard, a work team was created with staff from Environment, Distribution Engineering and Preventive Maintenance Departments of the Operation Areas.

This team analyses all the steps necessary to mitigate and/or remedy any deviations, i.e. control, monitoring and verification (Environment); analysis and design of adjustment in facilities (Distribution Engineering) and execution of remedial actions (Preventive Maintenance –Operation Areas) thus closing the circuit to effectively solve the problem.

During 2012, 6 distribution centers were adjusted with different tailored solutions, considering the building and economic possibilities.

## TECHNOLOGICAL INNOVATIVE ACTIONS

### Medium Voltage Network Telecontrol and Telemetry

The Sustainable Development and Safety in the Public Thoroughfare Management, together with the Distribution Management and Telecommunication Management, is preparing the Medium Voltage Network Telecontrol Project. This project is aimed at remotely commanding sectionalization equipment, so as to faster isolate any failing tranches and improve service re-connection times. A pilot installation in three chambers in Olivos is expected to occur during the first quarter in 2013.

In furtherance of the Telemetry Plan of the Medium Voltage Network, in 2012, 551 new pieces of equipment were installed; totaling 1018 points since its very beginning in 2007. These pieces of equipment convey to the Network Control Center, alarms in case of short-circuit voltage passage, opening of access gates and, in underground chambers, sensors of water detection.

### **Remote Stay and Re-connection**

Upon the Business Management's request, the Sustainable Development and Safety Management analyzed technologies to enhance service stay and re-connection tasks in the case of delinquent clients of difficult access. Those technologies are based on remote opening and closing of reles associated to each client. Field tests are scheduled for early 2013 in Morón.

### **Updated Readings of Meters in High Voltage and Medium Voltage Substations**

The Energy Efficiency Sub-Management performed the technological update of the meter reading system in High Voltage and Medium Voltage Substations, energy sharing points and Rate 3 Clients. Considering the limitations both of the software and of the means of communication used, readings of substation were migrated, made by means of phone modem, to Ethernet readings; and the installation of GARS cellular modems in clients lacking any other available means. Simultaneously, the Company is making a change to a new software to gather, storage and manage readings. This change results in increased availability of data and efficient analysis thereof for internal processes using them.

### **Smart Energy Network**

In relation to future demands for a Smart Energy Network, the Sustainable Development and Safety in Public Thoroughfare Management worked in tandem with the Telecommunication Management to analyze the most suitable means of communication. Power Line Communication (PLC) tests were successfully completed in Medium Voltage underground wires, and radio links with point-multipoint equipment in licensed frequency bands. In 2013, tests are expected to continue so as to explore these technologies.

### **Institutional Involvement**

As a consequence of the economic and financial situation undergone by the Company, from the beginning of the fiscal year, an expense cut down policy was applied, significantly affecting Edenor's involvement in different associations and seminars it used to participate in. These

economic restrictions lead to the Company's withdrawal from different organizations as ADEERA, CACIER, Cámara de Sociedades Anónimas, among others.

Nevertheless, as an institutional action, Edenor spread and promoted the benefits earned after implementing different technologies. Among the most important events, it is worth mentioning the I Conferencia Local de Instituto de Ingenieros Eléctricos y Electrónicos (IEEE) (I Domestic Conference of Electric and Electronic Engineers Institute) ARGENCON 2012; II Congreso Latinoamericano de Distribución Eléctrica CLADE 2012 (II Latin-American Congress on Electricity Distribution); the seminar Redes Inteligentes (Smart Networks): U.S. – Argentina Binational Energy Working Group (BEWG) organized by ADEERA and the U.S. Energy Department; and the seminar Eficiencia Energética: Diagnóstico, Incentivos e Instituciones (Energy Efficiency: Diagnosis, Incentives and Institutions) organized by the Foundation FIEL and the Universidad Católica Argentina.

The Company continues presiding over the Study Committee 08 "Smart Energy Networks" of the Asociación Electrotécnica Argentina, and in 2012 it further participated in the Working Group 10 "Photovoltaic Panels" of that association. It is still also part of the IRESUD – FONARSEC consortium, a public-private agreement made up of Comisión Nacional de Energía Atómica, Universidad Nacional de San Martín and private companies, aimed at interconnecting photovoltaic systems to the distribution network. It is partially subsidized by the Ministry of Sciences and Technology through the Agencia Nacional de Promoción Científica y Tecnológica (Argentine Agency of Scientific and Technological Promotion).

### **EDUCATIONAL PROGRAMS**

It is a collection of activities intended for the youngest population as part of a long-term commitment policy with the community, as programs are being carried out for over 10 years. For the purposes of infusing from the very beginning of life the importance of the rational use of energy, environment protection and safety at home and in the public thorough fare, among other concepts, during 2012, Edenor coordinately

continued with several educational activities addressed to elementary school students in its area for the purposes of arousing curiosity in kids in relation to the surrounding world.

Specific goals are:

- » Strengthen the link with the community.
- » Promote a responsible and engaged attitude towards energy consumption.
- » Value energy as an essential resource for human development.

### **Conexión al futuro**

During 2012, the program “Conexión al futuro” (“Connection with the Future”) continued with every-school-day visits to different elementary school within the area of concession, and with an educational and participatory workshop the main central theme of which was electrical energy. This program teaches children about electricity and its history, where it comes from and how it reaches their homes, necessary caring when handling it and its efficient use. All students participate in this program and in the end of the workshop, a booklet is delivered to the participants with detailed information on every issue.

In addition, every visited school receives a DVD with a 3D movie on the origin, safety and efficient use of energy, with a quality comparable to those movies played in the most important theme parks in the world.

During 2012, 164 schools in the districts of Escobar, Moreno, San Isidro, San Martín, Tigre and Tres de Febrero participated in this program, and more than 79,000 kids enjoyed it.

Since 1998, in the very first beginning of this activity, 2,360 schools were visited and over 1,170,000 kids attended the workshop.

### **Cien libros para nuestra escuela**

By means of this motion, “Cien libros para nuestra escuela”, Edenor calls for State-run elementary schools within the area of concession to participate in a contest on several energy-related issues. Edenor coordinates the program with municipalities and in 2012, it worked with

schools in the municipalities of Escobar, José C. Paz, Moreno and San Martín, and more than 15,000 students participated.

This program encourages kids to submit their works as mockups or posters and the winning school will be awarded a library with more than one hundred books, book bags and school supplies.

This activity dates back to 1995 and since then, more than 89,000 books and around 300 computers were granted.

### **ACTIONS WITH THE COMMUNITY**

#### **Campañas solidarias**

During 2012, Edenor continued including outreach campaigns in Rate 1 clients’ bills to spread actions by different NGO related to issues of general interest for the community. In addition, those campaigns are posted in Edenor web site for their widespread disclosure.

In 2012, the following entities were added for the purposes of preventing, educating and supporting society in connection with the different problems affecting it:

- » Fundación Huésped with the campaign “Yo también” (“Me Too”) inviting the community to fight against AIDS. Its goal is to prevent new infections and seek better access to health services for those persons with the virus.
- » A.Lu.B.A with the campaign “¿A mi me puede pasar?” (“May It Happen to Me?”) focused on raising social awareness on eating disorders and spreading the characteristics and size of bulimia and anorexia.
- » Fundación Avon and OSIM with the campaign “Alza la voz” (“Raise your Voice”) fostering prevention of genre-based violence.

#### **En Contacto**

Every two months, Rates 1 and 2 clients receive the newsletter “En Contacto” attached to the energy bill at their homes.

Sent as a flyer, this channel of communication allows for an ongoing relationship with clients

and for informing on different issues that may be necessary to disclose to clients and of their interest.

Also, in all Commercial Offices, the Company has a poster with the issues covered by the newsletter, for clients doing diligences or payment thereof to be informed.

**Data:**

- » 2,700,000 clients receive it every two months.
- » Poster in 27 Commercial Offices.
- » Online support in Internet.

**Goals:**

- » Establish constant communication.
- » Awake a positive attitude towards the company/ brand.
- » Promote environmental awareness, energy safe and efficient use.
- » Make the relationship of clients with the company easier.

**Issues covered were:**

- » Contact channels.
- » Tips on efficient use (summer-winter).
- » SMS for inquiries and claims for blackouts.
- » Means of payment of bills.
- » Safety in public thoroughfare.
- » Safety in wiring.
- » New commercial system.

**Video cable Advertising**

During 2012, Telecentro (Channel 26) and Televisora Privada del Oeste (TPO) broadcasted Edenor's add, called "Evolution", in different channels so as to raise social awareness on the use of low energy consumption bulbs.

**Web Site - Edenor.com**

During 2012, the Web Site dynamics and aesthetic were changed seeking for improvement in the site performance and dynamics. Banners were used throughout 2012 to promote significant events or communication notices.

Among the most important changes, it is worth mentioning:

» Large Customers

So as to continue delivering our clients a web site reflecting the Company's institutional identity and, in turn, providing a prompt response to each visitor's needs, during 2012, the site "Su Cuenta" ("Your Account") in the Large Customers portal was upgraded.

This upgrade allows Large Customers to see and manage their energy supply accounts at the site. A new feature is the online display and printing of the bill, and access to prior documents.

» Educational Programs

The educational programs site offers information on actions taken during the year, the upgrade of the photo gallery now allows users to select schools visited and to see photos of prize-winning persons and works of participants.

**"Casas por + energía" (Homes for + energy)**

In a context where energy stands as an asset contributing to life quality of many families, Edenor continued working to secure sustainable access to energy for poorest homes, with its environmentally-responsible use.

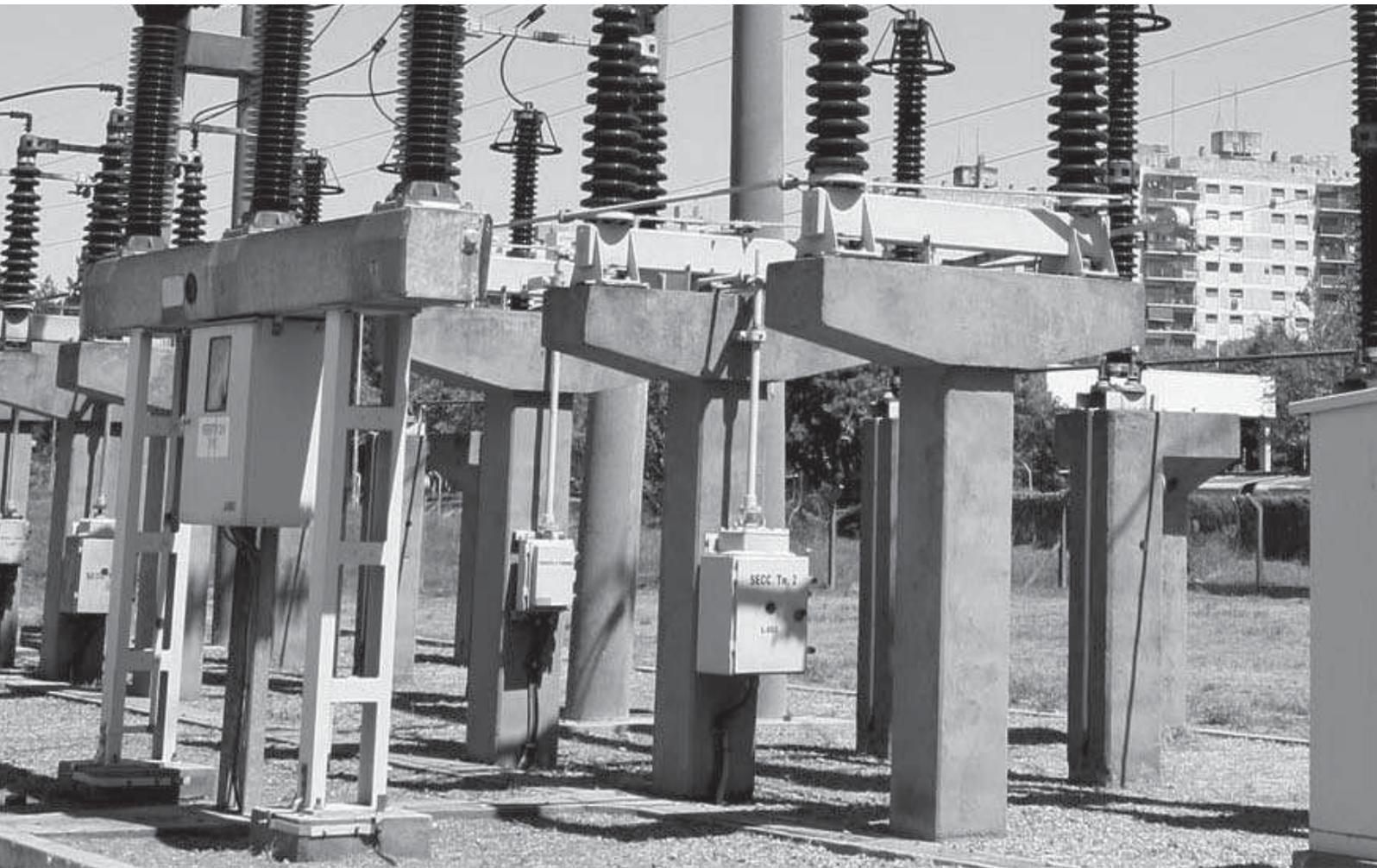
Though since 2006, Edenor works hard to incorporate energy efficiency criteria to social homes, this year it joined efforts with the Embassy of Germany in Buenos Aires, Municipality of Moreno and the foundation Fundación Foro de Vivienda Social y Eficiencia Energética, to make progress with the creation of the first energetically-efficient neighborhood in Argentina, in an attempt to reach 100 efficient homes ("100 Project").

In 2012, 9 solar collectors were installed and, together with those installed in prior stages, 42 energetically-efficient homes were achieved in the neighborhood La Perla, in Moreno.

In addition, technical maintenance was conducted in thermal solar systems and social support was provided to the 42 families using this technology. Each family received a manual with instructions on Sustainable Use of Homes.

Also, the project was introduced in many national and international conferences.







*Schedule I  
Corporate Governance Report*

SCHEDULE I

CORPORATE GOVERNANCE REPORT  
CNV GENERAL RESOLUTION 606/2012

Introduction

Edenor, through its Board of Directors, has prepared this Corporate Governance report in compliance with General Resolution No. 606/2012 (which amends General Resolution No. 516/2007) passed by the Argentine Securities and Exchange Commission (Comisión Nacional de Valores, "CNV").

As a result of the passage and enactment of the Stock Market Act No. 26.831 (Ley de Mercado de Capitales, "LMC"), effective as from January 25, 2012, it shall be taken into account that the Public Offer Transparency Regime, Decree No. 677/01 (Régimen de Transparencia de la Oferta Pública, "RTOP"), was expressly repealed by said Act and that any reference herein to RTOP conforms to the new provisions set forth in the LMC.



	COMPLIANCE		INCOMPLIANCE	INFORM O EXPLAIN
	TOTAL	PARTIAL		

PRINCIPLE I. TO ENSURE THE TRANSPARENCY OF THE RELATION BETWEEN THE ISSUER, THE ECONOMIC GROUP IT LEADS AND/OR IN WHICH IT PARTICIPATES, AND THE RELATED PARTIES THEREOF

<p>Recommendation I.1: To ensure the Governing Board's disclosure of policies applicable to the relation between the Issuer, the economic group it leads and/or in which it participates, and the related parties thereof.</p>	X		<p>The Company complies with the annual disclosure of its subsidiary and related companies through the Financial Information Superhighway, specifying the degree of control and the percentage of shares therein. In addition, as regards operations involving a relevant amount and that the Company intends to conduct with all those individuals and/or legal persons that, in line with the provisions of section 72 of the LMC (before section 73 of the RTOP), are considered "related parties", they are reported to the Audit Committee, which renders an opinion thereon prior to the Board of Director's consideration of the particular issue, and consequently, those internal rules and procedures are intended to reasonably ensure that the operations with "related parties" are conducted under market conditions, and, to that end, they shall be subject to this specific procedure of prior opinion and control carried out under the Company's Legal Affairs Management's coordination and which involves both Edenor's Board of Directors and Audit Committee. The Company discloses the agreements entered into with related parties in the quarter and annual Financial Statements in line with the legal rules in force, and in compliance with the provisions of section 5.a) of the Transparency Decree and section 73.b) of Act No. 17.811 (as amended by the Transparency Decree), all operations involving a relevant amount conducted by the Company with its related parties are immediately reported as "relevant event" both to the CNV and to the markets where the Company's securities are listed.</p>
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	COMPLIANCE		INCOMPLIANCE	INFORM O EXPLAIN
	TOTAL	PARTIAL		
<b>PRINCIPLE I. TO ENSURE THE TRANSPARENCY OF THE RELATION BETWEEN THE ISSUER, THE ECONOMIC GROUP IT LEADS AND/OR IN WHICH IT PARTICIPATES, AND THE RELATED PARTIES THEREOF</b>				
Recommendation I.2: To ensure the existence of preventive mechanisms in case of conflicts of interests.	X			<p>The Company has established internal policies which reinforce the guidelines of the Company's ethical behavior. In this way, both the "Code of Conduct" and "Edenor's Value System" are reflected in the procedures to be followed in case of Conflicts of Interests. The scope of these policies extends to all Edenor's personnel.</p> <p>These rules involve the relations with clients, suppliers and the Company's personnel, as well as the custody and protection of the property thereof, providing a general framework for the personnel's behavior as regards internal information, accounting records and reports.</p>
Recommendation I.3: To prevent the improper use of confidential information.	X			<p>Edenor has a Code of Conduct by which all of its employees must abide, with the purposes of ensuring, among others, the custody and protection of the Company's property, including tangible property as well as information and intellectual property, which shall only be used to carry out the Company's activities in the ordinary course of business and for the authorized purposes. The Company's information shall neither be used nor disclosed without the corresponding authorization, and comprises strategic procedures, commercial databases, financial plans, projects, designs and technical processes related to its activities, and personnel's information (for example, remuneration data). Failure to comply with these obligations shall be considered a serious fault, notwithstanding the application of other relevant legal rules.</p> <p>The Issuer has also established a Policy on the Operations Conducted with Edenor's Securities directed to its employees, the employees of its related companies, and its contractors. This internal policy provides information about the compliance with the Argentine and US laws and regulations by which the Company must abide, which prohibit the improper use of confidential information and regulate the operations conducted with the Company's securities in a controlled scenario, thus increasing the public's confidence level in the operations carried out with Edenor's securities.</p>
<b>PRINCIPLE II. TO LAY THE FOUNDATIONS FOR THE ISSUER'S SOUND MANAGEMENT AND MONITORING</b>				
Recommendation II. 1: To ensure that the Governing Board takes responsibility for the Issuer's management and monitoring, and the strategic plans thereof.				
II.1.1 The Governing Board approves:				
II.1.1.1 The strategic or business plans, as well as the management goals and annual budgets.	X			<p>Edenor's Board of Directors actively participates in and is highly involved with the Company's Management and in preparing and approving policies, general strategies, and the annual budget, tailored to each particular moment of the Company. For the purposes of analyzing and adopting decisions related to those and other issues, the Company's Board of Directors holds meeting on a monthly basis, and has established Internal Rules specifying the performance thereof.</p> <p>Although Edenor's Board of Directors used to approve strategic or business plans on a regular basis, based on the absence of a continuous regulatory normalization since 2001, the Company does not have a strategic or business plan.</p>

	COMPLIANCE		INCOMPLIANCE	INFORM O EXPLAIN
	TOTAL	PARTIAL		
PRINCIPLE II. TO LAY THE FOUNDATIONS FOR THE ISSUER'S SOUND MANAGEMENT AND MONITORING				
<p>II.1.1.2 The Governing Board approves the financing and investment policy (in financial assets and capital assets).</p>	X			<p>The Board of Directors annually approves the investment and financial budgets, providing a detail of the compliance therewith throughout each fiscal year. On a monthly basis, the Board of Directors is submitted a follow-up of the economic-financial budget and the estimations for the close of fiscal year.</p>
<p>II.1.1.3 The Governing Board approves the corporate governance policy (compliance with the Corporate Governance Code).</p>	X			<p>The Company's Board of Directors approves the Corporate Governance Code together with the annual report corresponding to each fiscal year, and adopts the best corporate practices suggested by the CNV, the Securities and Exchange Commission (SEC) and the self-regulated markets where the Company's securities are listed.</p>
<p>II.1.1.4 The Governing Board approves the policy on top managers' recruitment, evaluation, and remuneration.</p>		X		<p>The Company's Human Resources Management establishes recruitment, evaluation and remuneration guidelines tailored to each position. The appointment of Edenor's top managers is the outcome of a recruitment process jointly carried out by the General Manager, the Executive Officers and the Human Resources Management. The Company does not have any specific policy regulating the manager's recruitment process.</p> <p>In addition, the Company has implemented a process coordinated by the Human Resources Management whereby, on an annual basis, each and every employee (including managers) is evaluated in relation to the performance of their tasks and the compliance with the goals previously set by their hierarchical superiors.</p>
<p>II.1.1.5 The Governing Board approves the policy on top managers' responsibility assignment.</p>		X		<p>The Company's Chairman, together with the General Manager and the head of the Human Resources Management, are in charge of assigning responsibilities to top managers. The Company does not have any specific policy regulating the assignment of responsibilities to top managers.</p>
<p>II.1.1.6 The Governing Board approves the monitoring of the top managers' succession planning process.</p>		X		<p>The Company's Chairman, together with the General Manager and the head of the Human Resources Management, develop top managers' succession planning processes. The Company does not have any specific strategy regulating managers' succession.</p>
<p>II.1.1.7 The Governing Board approves the policy on business corporate responsibility.</p>	X			<p>Edenor has established certain policies in line with its Business Corporate Responsibility (Responsabilidad Social Empresaria, "RSE") commitment, such as the Code of Conduct ("P32"), the Patronage and Sponsorship Policy ("P56"), the Policy on Quality, Environment, Security, Occupational Health and Public Safety ("P57"), and the Integrated Management System Manual ("MSG 01"), where Edenor's Strategic Approach is outlined. All these policies are approved by the Company's Governing Board according to what is set forth in the PGSGI-05 Procedure of Documentation Control. The purpose of the abovementioned policies is to design and implement programs aimed at strengthening the education and promoting the development of the communities where Edenor carries out its business.</p>
<p>II.1.1.8 The Governing Board approves the policies on integrative risk management and internal control, and on fraud prevention.</p>	X			<p>Edenor has established a risk analysis policy which describes the Company's administrative process of strategic risks, as well as the methods used for the identification and continuous update thereof. In addition, the Company has a Policy</p>

	COMPLIANCE		INCOMPLIANCE	INFORM O EXPLAIN
	TOTAL	PARTIAL		
PRINCIPLE II. TO LAY THE FOUNDATIONS FOR THE ISSUER'S SOUND MANAGEMENT AND MONITORING				
				related to the internal control system, which defines the components of its control system and the necessary duties for the proper operation thereof, thus establishing the "Internal Control - Integrative framework" document issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO Report) as control framework. As regards fraud prevention, the Company has a Policy aim at making the report of alleged irregularities within the Company easier. These three policies are monitored by the General Management and approved by the Audit Committee.
<p>II.1.1.9 The Governing Board approves the policy on constant training of members of the Governing Board and top managers.</p>		X		Edenor has developed an annual training plan for the purposes of supporting the professional and academic development, and enabling the management of programs to ease the interest, development and retention of its human resources. In addition, said training plan is designed to satisfy the needs identified during the annual information-gathering stage. The training plan further contemplates more than two hundred activities and courses oriented towards the improvement of skills in the job position, involving both operative and management tasks. These activities are offered through more than three hundred internal courses and two hundred and fifty courses which are given in-house or in different educational institutions and well-recognized organisms. The approval of the abovementioned annual training plan is among the powers and duties of the Company's Executive Committee.
<p>II.1.2 If considered appropriate, please add other policies applied by the Governing Board which have not been mentioned before, and detail the more relevant aspects thereof.</p>	X			In addition to the policies, processes and plans mentioned in this Report, Edenor has the Integrated Management System Manual mentioned in II.1.1.7 above, which describes the Integrated Management System in compliance with the standards ISO 9001, ISO 14001, OHSAS 18001 and applicable ENRE resolutions, for the purposes of establishing and outlining the Management System, so that it can be used as permanent reference to continuously improve the efficacy and effectiveness of the Company's management performance. The scope of the Integrated Management System extends to the organizational structure, duties, key and supporting processes, procedures and resources, as well as to the activities and operations related to Edenor's Distribution and Marketing service of electric power.
<p>II.1.3 The Issuer has a policy aimed at ensuring the availability of relevant information for the decision-making process conducted by the Governing Board and a process of direct communication with managers, in a way that guarantees equal treatment of all of its members (executive, external and independent members), timely in advance to enable the proper analysis of the content thereof. Please specify.</p>	X			The Company has established Internal Rules regulating the Board of Directors' performance. Meetings are held within the statutory terms, and all directors and auditors receive an email and hard copy informing them of the Calling, together with the Agenda of each meeting and the available information and documentation related to each of the issues to be dealt with, timely in advance to enable the proper analysis thereof. Directors can be consulted directly, and the Company is in charge of preparing the reports requested in the inquiries raised. Furthermore, through the Company's Legal Affairs Management, any Director and/or Auditor may put forward to the Management any types of questions or inquiries deemed convenient regarding any of the matters to be submitted to their consideration.

# annual report 2012

ANNUAL REPORT ANNUAL REPORT ANNUAL REPORT

	COMPLIANCE		INCOMPLIANCE	INFORM O EXPLAIN
	TOTAL	PARTIAL		
PRINCIPLE II. TO LAY THE FOUNDATIONS FOR THE ISSUER'S SOUND MANAGEMENT AND MONITORING				
<p>II.1.4 The issues submitted to the Governing Board's consideration are supported by an analysis of the risks associated to the decisions that may be subsequently adopted, taking into account the business risk level defined as acceptable by the Issuer. Please specify.</p>	X			<p>The Company submits, together with the Agenda to be dealt with in each Board of Directors' meeting, not only the supporting material of every aspect to be discussed in the meeting, but also all the internally-prepared prior analyses (of risks and other matters) related to the issue in question.</p>
<p>Recommendation II.2: To ensure an effective control of the company's management.</p>				
<p>II.2.1 Compliance with the annual budget and business plan.</p>	X			<p>The management submits to the Board of Directors periodic reports on the compliance with, deviations from and/or adjustments to the annual budget and the Company's business plan, analyzing the progress thereof and proposing adjustments to be made based on the changes that have actually taken place.</p>
<p>II.2.2 Performance of top managers and compliance with the goals set for them (level of anticipated profits vs. earned profits, credit rating, accounting report quality, market share, etc.).</p>	X			<p>At the Board of Directors' meetings, the Financial Manager submits a summary of the monthly Management Report, which comprises the monthly income statement compared with the accumulated income statement corresponding to the current and prior fiscal years, and the cash flow statement. This information is supplemented with management data and indicators related to the development of energy net sales, gross margin, EBITDA and a detail of the main exploitation and investment expenses. In addition, a summary of the monthly relevant facts and of subsequent facts is submitted.</p> <p>As already explained in II.1.1.4 above, the Company has implemented a process coordinated by the Human Resources Management whereby, on an annual basis, each and every employee (including managers) is evaluated in relation to the performance of their tasks and the compliance with the goals previously set by their hierarchical superiors.</p>
<p>Recommendation II.3: To disclose the evaluation process of the Governing Board's performance and the impact thereof.</p>				
<p>II.3.1 Each member of the Governing Board complies with the By-laws and, if appropriate, with the Governing Board's Rules. Please specify the main guidelines of the Rules. Please state the degree of compliance with the By-laws and Rules.</p>	X			<p>Each member of the Board of Directors fully complies with the Company's By-laws. The Board of Directors' Internal Rules describe the workplace orientation procedures for each new member, as well as the duties of the position as individual director and of the Board of Directors as a collective body, specifying how often meetings are held, how they are called, and which are the attendance procedures. The supply of information to directors and the Board of Directors' legal framework are also described.</p>
<p>II.3.2 The Governing Board discloses the results of its management taking into account the goals set at the beginning of the fiscal year, so that shareholders can evaluate the degree of compliance with those goals, which involve both financial and non-financial aspects. In addition, the Governing Board submits an analysis of the degree of compliance with the policies mentioned in Recommendation II, items II.1.1. and II.1.2.</p>		X		<p>The Company's management submits to the Board of Directors a monthly management report, wherein it details, among other aspects, management data and indicators, main exploitation expenses and investments. A copy of said report is kept at the Board of Directors' clerk's office. On an annual basis, the Board of Directors, when calling the Shareholders' Meeting, makes available to shareholders the annual financial statements and the annual report of the fiscal year to be approved, together with its voting recommendations. Each year, the Shareholders' Meeting evaluates</p>

	COMPLIANCE		INCOMPLIANCE	INFORM O EXPLAIN
	TOTAL	PARTIAL		
PRINCIPLE II. TO LAY THE FOUNDATIONS FOR THE ISSUER'S SOUND MANAGEMENT AND MONITORING				
				<p>the Board of Directors' performance, and the approval of the management of the directors who participated in the ended fiscal year is submitted to its consideration. The last Edenor's Shareholders' Meeting where the directors' management was approved was held on April 27, 2012.</p> <p>Taking into consideration that the Company's Management is responsible for ensuring compliance with the policies detailed in items II.1.1 and II.1.2, the Board of Directors does not perform an evaluation of the degree of compliance with these policies. The appropriateness of its performance will be analyzed in the future.</p>
Recommendation II.4: The number of external and independent members must represent a significant percentage of the Governing Board.				
<p>II.4.1 The number of executive, external and independent members (the latter defined according to the rules of this Commission) of the Governing Board is in line with the Issuer's capital structure. Please specify.</p>	X			<p>The Board of Directors is composed of twelve regular directors and twelve alternate directors appointed by the Company's Shareholders' Meeting. The by-laws provide that, according to the laws in force, as long as Edenor makes public offers of its shares, it is required to have an Audit Committee composed of, at least, a majority of independent members, to be appointed by each class of shareholders. The same criterion is reflected in section I of the Internal Rules of the Audit Committee; however, such body is presently comprised of all independent members.</p> <p>At present, the Board of Directors has ten external regular directors, seven of which also hold the status of independent according to the criteria set forth by the CNV Rules.</p> <p>Taking into account the structure of independent and external members mentioned in the item above, and based on the tasks performed by the Board of Directors and on the Company's flow of business, the Board of Directors considers that it has the appropriate number of directors to duly perform its duties in line with the Company's complex structure and the remarkable extent of the businesses carried out by it.</p>
<p>II.4.2 During the current year, shareholders agreed, through a Shareholders' Meeting, on a policy aimed at maintaining at least 20% of independent members over the total number of members of the Governing Board.</p> <p>Please describe the relevant aspects of said policy and of any shareholders' agreements which allow understanding the process whereby the members of the Governing Board are appointed and the term of their office. Please indicate if the independent status of the members of the Governing Board was challenged throughout the year and if withholdings have taken place due to conflicts of interests.</p>			X Not applicable	<p>As indicated in paragraph II.4.1 above, currently the number of independent directors well exceeds 20% of the total number of its regular members. Edenor abides itself by the Sarbanes-Oxley Act that requires that the Audit Committee must be fully comprised of independent directors. This means that the Company has to comply with a minimum standard regarding this issue.</p>

# annual report 2012

ANNUAL REPORT 2012 ANNUAL REPORT ANNUAL REPORT

	COMPLIANCE		INCOMPLIANCE	INFORM O EXPLAIN
	TOTAL	PARTIAL		
PRINCIPLE II. TO LAY THE FOUNDATIONS FOR THE ISSUER'S SOUND MANAGEMENT AND MONITORING				
				<p>Compliance: Not applicable</p> <p>The term of the Directors' office as well as the process and requirement of independent status arise from Edenor's By-laws. In addition, it shall be noted that the independent status of the members of the Board of Director was not challenged during 2012 fiscal year and that no withholdings have taken place due to conflicts of interests.</p>
<p>Recommendation II.5: The Company commits itself to maintaining rules and procedures inherent to the process of recruitment and proposal of members of the Governing Board and top managers.</p>				
<p>II.5.1 The Issuer has an Appointment Committee.</p>			X	<p>The approval of the Company's organizational chart regarding directors of operations and the corresponding amendments thereto falls within the Executive Committee's powers and duties. The rest of the appointments correspond to the Company's management, jointly carried out with the Human Resources Management.</p>
II.5.1.1			X Not applicable	
II.5.1.2			X Not applicable	
II.5.1.3			X Not applicable	
II.5.1.4			X Not applicable	
II.5.1.5			X Not applicable	
<p>II.5.2 In case there is an Appointment Committee.</p>			X Not applicable for what is set forth in II.5.1	
II.5.2.1			X Not applicable	
II.5.2.2			X Not applicable	
II.5.2.3			X Not applicable	
II.5.2.4			X Not applicable	
II.5.2.5			X Not applicable	

	COMPLIANCE		INCOMPLIANCE	INFORM O EXPLAIN
	TOTAL	PARTIAL		
PRINCIPLE II. TO LAY THE FOUNDATIONS FOR THE ISSUER'S SOUND MANAGEMENT AND MONITORING				
II.5.2.6			X Not applicable	
II.5.2.7			X Not applicable	
II.5.3 If considered relevant, please add policies implemented by the Issuer's Appointment Committee which have not been mentioned in the paragraph above.			X Not applicable for what is set forth in II.5.1.	
Recommendation II.6: To evaluate if it is convenient that members of the Governing Board and/or auditors and/or members of the Supervisory Council perform duties in other Issuers.			X	It is not necessary to limit the Company's Directors' and Auditors' participation in other companies where they may hold the same positions, since the existing legal limitations on this matter, along with the directors' and auditors' liability regime, are enough and ensure proper performance of the Company's directors' and auditors' duties.
Recommendation II.7: To ensure training and development of members of the Governing Board and top managers of the Issuer.				
II.7.1 The Issuer has developed continuous Training Programs related to the Issuer's existing needs, for members of the Governing Board and top managers, which include issues related to their functions and duties, business risk integrative management, specific knowledge of the business and its rules and regulations, corporate governance dynamics, and business corporate responsibility. In the case of members of the Audit Committee, the training programs refer to international accounting standards, auditing rules, internal control rules, and specific regulations of the capital market.		X		All the members of the Company's Board of Directors are well-recognized businessmen and/or professionals who render services with the highest standards of professional quality. Notwithstanding that, the Company's Human Resources Department develops training plans throughout the year based on the different particular needs.  As regards the specific training for members of the Audit Committee, it is contemplated in the Internal Rules and in the Annual Action Plan. In compliance with said plan, the Audit Committee approves the specific Training Plan for a one-year term. The Plan currently in force was approved by the Committee on October 18, 2012 and encompasses the term between November 1st, 2012 and October 31st, 2013. The Plan includes issues related to domestic external audit rules, internal audit rules, and internal control. During the fiscal year, in compliance with the prior Plan, the Committee was trained on the General Resolution No. 606 of the CNV, as a significant matter regarding stock market regulation.
II.7.2 The Issuer encourages members of the Governing Board and top managers, through other means not mentioned in II.7.1, to engage in constant training activities, so as to enhance their professional level and add value to the Issuer. Please indicate how this is done.	X			La Compañía considera que se encuentran cumplidos los mecanismos de capacitación de los directores, sin perjuicio de lo cual pone a su disposición aquellas capacitaciones técnicas que caso por caso se pudieren considerar necesarias o convenientes en un momento dado a los fines de un mejor desempeño de sus funciones en el órgano de administración de la Sociedad.

	COMPLIANCE		INCOMPLIANCE	INFORM O EXPLAIN
	TOTAL	PARTIAL		
PRINCIPLE III. TO SUPPORT AN EFFECTIVE IDENTIFICATION, MEASUREMENT, MANAGEMENT AND DISCLOSURE POLICY ON BUSINESS RISK				
Recommendation III: The Governing Board must have a policy on business risk integrative management and monitor the proper implementation thereof.				
<p>III.1 The Issuer has policies on business risk integrative management (compliance with the strategic, operative, financial, accounting, legal and regulatory goals, among others). Please describe the most relevant aspects thereof.</p>	X			<p>The Company has established an internal policy of "Risk Analysis" which describes Edenor's management process of strategic risks and explains the methods implemented for identifying and continuously updating the strategic risks that may affect the Company.</p> <p>In compliance with their duties, according to the provisions set forth by the laws in force and the Internal Rules, and in line with the annual action plan, the Audit Committee monitors the application of information policies in relation to the Company's risk management, providing information thereof in the annual report.</p>
<p>III.2 The Governing Board or the General Management comprise a Risk Management Committee. Please inform if there are manuals of procedure and detail the main risk factors which are specific to the Issuer or the activity it carries out and the mitigating actions implemented. If the Company does not have said Committee, please describe the monitoring role carried out by the Auditing Committee as regards risk management.</p> <p>In addition, please specify the interaction degree between the Governing Board or its Committees with the Issuer's General Management as regards business risk integrative management.</p>		X		<p>The Company's Board of Directors does not have a Risk Management Committee. These duties are performed by the Directors of Operations jointly with the Internal Audit Management and the monitoring of the Audit Committee. To that end, the Company has patterns and a mapping of significant business risks, which were prepared following the method established by the best practices as regards risk administration and management. In that context, the Company's Audit Committee is informed by the Internal Audit Management of the conclusions resulting from the application of this management model and the actions to be implemented in relation to the risks identified, monitoring the application of the information policies regarding the Company's risk management, as mentioned in the Recommendation III.1.</p>
<p>III.3 The Issuer's General Management carries out an independent function which consists in implementing the policies on risk integrative management (duty corresponding to the Risk Management Officer or equivalent). Please specify.</p>		X		<p>The Company's Internal Audit Management provides support to the directors to help them keep the strategic risk pattern updated, collaborating with the risk identification and evaluation, and the collection of the analyses of each of the risks identified in the Company, so that they can be submitted to the consideration of the Chairman and CEO, the Audit Committee and the Board of Directors, and receive feedback and/or approval.</p>
<p>III.4 The policies on risk integrative management are constantly updated in line with the recommendations and methods acknowledged in this field. Please specify which ones (Enterprise Risk Management, according to the conceptual framework of COSO – Committee of sponsoring organizations of the Treadway Commission –, ISO 31000, standard IRAM 17551, article 404 of the Sarbanes-Oxley Act, among others).</p>	X			<p>In compliance with the laws in force, the management has selected, as framework, the criteria established in the "Enterprise Risk Management – Integrative Framework" document issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO Report).</p>
<p>III.5 The Governing Board informs the results of the risk management monitoring jointly carried out with the General Management, in the financial statements and in the annual report. Please specify the main aspects of the information disclosed.</p>	X			<p>The Company discloses, in its accounting statements, the risks according to what is provided for in the Financial Information International Standards. In the notes to the financial statements, the Company includes the "Financial Risk Management", wherein the Company-related risks are detailed, stating in each case Edenor's position. In addition, a detailed analysis thereof</p>

	COMPLIANCE		INCOMPLIANCE	INFORM O EXPLAIN
	TOTAL	PARTIAL		
<b>PRINCIPLE III. TO SUPPORT AN EFFECTIVE IDENTIFICATION, MEASUREMENT, MANAGEMENT AND DISCLOSURE POLICY ON BUSINESS RISK</b>				
				is included in the annual report filed with the SEC through form 20F.
	COMPLIANCE		INCOMPLIANCE	INFORM O EXPLAIN
	TOTAL	PARTIAL		
<b>PRINCIPLE IV. TO PROTECT THE INTEGRITY OF THE FINANCIAL INFORMATION BY MEANS OF INDEPENDENT AUDITS</b>				
Recommendation IV: To ensure the independency and transparency of the duties entrusted to the Audit Committee and the External Auditor.				
IV.1 The Governing Board, when appointing the members of the Audit Committee taking into account that most of them must hold the status of independent, evaluates if it is convenient that it be chaired by an independent member.	X			<p>In compliance with the provisions of section 4, Chapter XXI of the CNV Rules, as regards each appointment of directors, whenever candidates are put forward to be considered by the Shareholders' Meeting, the latter is informed, before this issue is voted on, of the status of independent or non-independent of each candidate. After the meeting is held, in compliance with the provisions of the CNV Rules, within the 10-day term following the appointment of directors, the CNV and the markets where the Company's securities are listed are informed of the personal data of each director and whether he holds the status of independent or non-independent (the non-independent status is evidenced by an affidavit signed by each director).</p> <p>In addition, Edenor has an Audit Committee fully comprised of independent directors in compliance with U.S. rules, including the Sarbanes-Oxley Act and related provisions required by the Securities Exchange Commission (SEC) to foreign issuers which securities are listed in the NYSE.</p>
IV.2 There is an internal audit function reporting to the Audit Committee or the head of the administration body, in charge of assessing the internal control system. Indicate whether the Audit Committee or the administration body make an annual assessment of the internal audit area performance and the independence level of their professional work, understanding that the professionals in charge of that function are independent from the remaining operating areas and also meet the independence requirements regarding controlling shareholders or related entities having significant influence over the Issuer. Also specify whether the internal audit function is performed pursuant to international standards applicable to the internal audit professional practice, as issued by the Institute of Internal Auditors (IIA).	X			<p>At Edenor, there is an internal audit function reporting functionally to the Audit Committee and administratively to the General Manager. According to the "General Standard on Internal Audit", the purpose of the internal audit management is to provide an independent and objective assurance service and to perform consulting tasks designed to add value and improve Edenor's transactions. For that purpose, it cooperates in the compliance with organizational goals by contributing a systematic and disciplined approach to assess and improve the efficacy of risk management, control and governance processes.</p> <p>At the beginning of each fiscal year, Internal Audit must submit the audit annual plan proposal to the General Director and then submit it to the Audit Committee to be evaluated and approved. Every quarter, Internal Audit follows-up the compliance with the annual plan and submits a progress report to the Audit Committee and the General Director. Such report contains a summary of work done and the main findings.</p> <p>Every year, the Audit Committee evaluates Internal Audit's level of independence and performance regarding the issues within its competence, disclosing its evaluation in the annual report.</p> <p>As the Company is a member of the Institute of Internal Auditors, it uses the standards that it deems reasonable and/or applicable without adhering expressly.</p>

	COMPLIANCE		INCOMPLIANCE	INFORM O EXPLAIN
	TOTAL	PARTIAL		
PRINCIPLE IV. TO PROTECT THE INTEGRITY OF THE FINANCIAL INFORMATION BY MEANS OF INDEPENDENT AUDITS				
IV.3 The members of the Audit Committee make an annual evaluation of the suitability, independence and performance of the external auditors appointed by the Shareholders' Meeting. Describe the significant aspects of the procedures used to perform the evaluation.	X			In its annual report—which is issued upon presenting and publishing the Company's annual financial statements—the Company's Audit Committee evaluates external auditors' performance and issues a well-grounded opinion in that regard, pursuant to section 16, Chapter III, CNV Standards and the Audit Committee's Internal Regulations.
IV.4 The Issuer has a policy regarding the rotation of Statutory Audit Committee members and/or the External Auditor; as to the latter, the policy states whether the rotation includes the external audit firm or only individuals.		X		The Company has no specific policy regarding the rotation of Statutory Audit Committee members and/or the External Auditor. However, as to the External Auditor's rotation, the Company is subject to the provisions under section 24.C.2), Chapter II, CNV Standards, whereby the term during which a partner of an audit firm or association may conduct audit tasks at the Company shall not exceed five (5) consecutive years.

	COMPLIANCE		INCOMPLIANCE	INFORM O EXPLAIN
	TOTAL	PARTIAL		
PRINCIPLE V. TO OBSERVE SHAREHOLDERS' RIGHTS				
Recommendation V.1: To ensure shareholders' access to Issuer's information.				
V.1.1 The Administration Body arranges periodic informative meetings with shareholders upon the presentation of interim financial statements. Indicate number and frequency of meetings held during the year.	X			Every quarter and after the approval of financial statements by the Board of Directors, the Company arranges a telephone conference with all shareholders wishing to participate, in which complete information is provided as to the progress of corporate business for the fiscal year under analysis, and all questions or concerns from shareholders are answered. In addition, the Company has implemented inquiry assistance mechanisms through telephone calls or e-mails.
V.1.2 The Issuer has information mechanisms for investors and a specialized area for inquiry assistance. It also has a website to which shareholders and other investors may access, thus establishing an access channel to be in contact with one another. Provide details.	X			The Company has procedures and a specific sector to assist the Company's shareholders regarding inquiries and concerns, which should not imply the disclosure of confidential information or information not previously disclosed to shareholders on an equitable basis.  The Company also has a website <a href="http://www.edenor.com">www.edenor.com</a> with a special section, "Relaciones con el inversor" (Contact with investors), in which investors may have access to important public information on Edenor.
Recommendation V.2: Promote the active participation of all shareholders.				

	COMPLIANCE		INCOMPLIANCE	INFORM O EXPLAIN
	TOTAL	PARTIAL		
<b>PRINCIPLE V. TO OBSERVE SHAREHOLDERS' RIGHTS</b>				
V.2.1 The Administration Body adopts measures to promote the participation of all shareholders in General Shareholders' Meetings. Specify, making a distinction between the measures required by law and those offered voluntarily by the Issuer to its shareholders.	X			The Board of Directors complies with all the measures required by law to call meetings and promote participation in order to ensure full exercise of their rights.
V.2.2 The General Shareholders' Meeting is subject to Regulations in order to operate, which ensures information availability for shareholders sufficiently in advance to make decisions. Describe the main guidelines of Regulations.			X	Shareholders' information system prior to holding any meeting is already guaranteed because all applicable legal requirements are met in order to make all significant information available to shareholders sufficiently in advance and/or the information specifically required by any shareholder, so as to allow their proper analysis.
V.2.3 The mechanisms implemented by the Issuer are applicable to allow minority shareholders to propose issues to be debated at the General Shareholders' Meeting pursuant to current regulations. Specify the results.	X			There is no statutory or factual impediment for minority shareholders to propose issues to be analyzed at meetings. The Company's shareholders are called to participate in meetings through the methods established in Company's By-laws, Argentine Business Associations Law and the Presidential Decree on Transparency. This means that shareholders are called through the publication of legal notices in the manner and subject to the terms established by current regulations. In addition, Edenor's by-laws state that all shareholders representing at least 5% of capital stock may require holding regular and/or extraordinary meetings, indicating in its request the issues to be treated. The Board of Directors or the Statutory Auditor shall call the meeting to be held within forty (40) days from request receipt. Should the Board of Directors or the Statutory Auditor fail to do so, meetings may be called by the enforcement authority or by court. To date, no group of shareholders has expressly requested to call a meeting or proposed any issues to be treated at any meeting.
V.2.4 The Issuer has policies to promote the participation of more important shareholders, such as institutional investors. Specify.			X	The Company considers that it is not necessary to have any special policies to promote the participation of more important shareholders as it complies with all statutory requirements aimed at guaranteeing the calling of meetings by any shareholder.
V.2.5 At the Shareholders' Meetings where Administration Body member appointments are proposed, the following information is made available prior to voting: (i) the opinion of each candidate regarding the potential adoption of a Corporate Governance Code; and (ii) the grounds for such opinion.			X	The Company does not inform the opinion of each candidate regarding the potential adoption of a Corporate Governance Code prior to voting.
Recommendation V.3: Guarantee the principle of equality between shares and votes.	X			The Company encourages the principle of equality between shares and votes, as set forth in section 5 of by-laws, whereby capital stock is represented by Class A shares, Class B shares and Class C shares, all of which are book-entry shares of common stock, with a face value of one Argentine peso (AR\$ 1) and entitled to one (1) vote each.

	COMPLIANCE		INCOMPLIANCE	INFORM O EXPLAIN
	TOTAL	PARTIAL		
<b>PRINCIPLE V. TO OBSERVE SHAREHOLDERS' RIGHTS</b>				
Recommendation V.4: Establish mechanisms to protect all shareholders in the event of a take-over.	X			The Company is subject to the Public Offering System and operates in the Argentine stock market under CNV control and in the US market under SEC control. According to section 90, Law No. 26,831 (Capital Market Law), the acquisition public offering system and the residual interest system governed by such law, all companies making a public offering of their shares are included, among them, Edenor.
Recommendation V.5: Increase the percentage of outstanding shares over capital stock.	X			About 47.74% of the Company's shares are listed in the Buenos Aires Stock Exchange (BCBA) and the New York Stock Exchange (NYSE). Such percentage has not varied significantly in the last 3 years.
Recommendation V.6: Ensure the existence of a transparent dividend policy.				
V.6.1 The Issuer has a dividend distribution policy established by by-laws and approved by the Shareholders' Meeting, stating the conditions applicable to distribute dividends in cash or shares. Should such policy exist, indicate the criteria, frequency and conditions to be met for dividend payment.		X		<p>Taking into account economic fluctuations in general and electric market variations in particular, we consider that it is advisable not to establish a specific policy for dividend payments. The Company's Board of Directors makes a conservative evaluation of the possibility of making a dividend distribution proposal to its shareholders in each fiscal year, taking into account provisions and statutory regulations, analyzing each case in particular, paying special attention to the economic circumstances of the fiscal year, the results of operations, future capital requirements, financial conditions and available funds.</p> <p>Pursuant to the Memorandum of Agreement on Concession Agreement Renegotiation entered into between Edenor and the concession grantor and approved by Presidential Decree No. 1957/06, Edenor shall not pay any dividends without ENRE's previous authorization during the so-called Contractual Transition Period.</p>
V.6.2 The Issuer has set documented processes in place to prepare a proposal for the use of the Issuer's retained earnings implying the creation of legal, statutory and voluntary reserves, carry-forward to the new year and/or payment of dividends. Explain those processes and specify the Shareholders' Meeting minutes in which the dividend distribution (in cash or in shares) was approved or disapproved, if not established in By-laws.		X		<p>Although the Company has no documented procedures for the Board of Directors to send the retained earnings distribution proposal to the Shareholders' Meeting, current legal regulations are applied to earnings allocation to the relevant equity items established therein.</p> <p>At the General Regular and Extraordinary Shareholders' Meeting held on April 27, 2012, it was decided to keep the loss for the year amounting to AR\$ 435,396,411.16 in the "unappropriated retained earnings" account, which thus amounted to AR\$ 670,750,385.24, while unappropriated retained earnings would be absorbed following the order of priority for the use of funds established by point XXIII.11.10, Exhibit 1, Book 7 under CNV standards, i.e. the amount of AR\$64,008,106.46 to the legal reserve, the amount of AR\$18,317,729.42 to additional paid-in capital and the remaining amount of AR\$588,424,549.39 to Capital adjustment.</p>

	COMPLIANCE		INCOMPLIANCE	INFORM O EXPLAIN
	TOTAL	PARTIAL		
<b>PRINCIPLE VI. TO KEEP A DIRECT AND RESPONSIBLE RELATIONSHIP WITH THE COMMUNITY</b>				
Recommendation VI: Disclose to the community the issues related to the Issuer and a direct communication channel with the company.				
VI.1 The Issuer has an updated website for public access not only to provide significant company information (by-laws, group of companies, Administration Body structure, financial statements, annual report, etc.) but also to collect inquiries from users in general.	X			The Company has the following website: <a href="http://www.edenor.com">www.edenor.com</a> . This website has free and easy access, is continuously updated, allows simple navigation, contains sufficient and complete information on the Company and its business and allows users to send their concerns and inquiries through this website, thus facilitating a continuous communication with the community. The system used by the Company for its website keeps and protects information and its reliability, has strong security mechanisms and meets data protection standards preventing unauthorized people from accessing, modifying and/or deleting, in general, the information provided. The information transmitted through electronic media is subject to the highest confidentiality and integrity standards, and information keeping and recording is encouraged.
VI.2 The Issuer issues a Corporate and Environmental Responsibility Report on an annual basis, with the verification of an independent external auditor. If so, indicate the scope or the legal or geographical coverage of such report and where it is available. Specify the standards or initiatives adopted to implement its business corporate responsibility policy (Global Reporting Initiative and/or United Nations Global Compact, ISO 26.000, SA8000, Millennium Development Goals, SGE 21-Foretica, AA 1000, Equator Principles, among others.)	X			Twice a year, the Company prepares and publishes its Sustainability Report, the last one dated January 2009/December 2010, to reinforce the average continuous improvement process, enhancing strengths and detecting improvement opportunities to achieve responsible management. In order to guarantee information transparency and objectivity, it was decided to use the G3 Guidelines of the Global Reporting Initiative, which indicates the steps to be followed to prepare Sustainable Reports through qualitative and quantitative indicators allowing to measure the Company's performance in an objective manner. To supplement, the sector indicator protocol for the electric power industry is used in order to ensure consistency with indicators and results obtained. Upon selecting issues and parameters to prepare the report, the guidelines and recommendations issued by the Argentine Business Council for Sustainable Development (Consejo Empresario Argentino para el Desarrollo Sostenible, CEADS) are followed, as stated in the local chapter of the World Business Council for Sustainable Development, the purpose of which is to promote the "business-sustainable development" relationship. In addition, the different chapters are related to the issues proposed by Global Compact principles and ISO 26000 Standard, to which Edenor adheres regarding concepts and grounds.

	COMPLIANCE		INCOMPLIANCE	INFORM O EXPLAIN
	TOTAL	PARTIAL		
<b>PRINCIPLE VII. TO COMPENSATE IN A FAIR AND RESPONSIBLE MANNER</b>				
Recommendation VII: Establish clear compensation policies for Administration Body members and first-line managers, with special emphasis on conventional or statutory limitations based on the existence or lack of earnings.				

# annual report 2012

ANNUAL REPORT 2012 ANNUAL REPORT ANNUAL REPORT

	COMPLIANCE		INCOMPLIANCE	INFORM O EXPLAIN
	TOTAL	PARTIAL		
PRINCIPLE VII. TO COMPENSATE IN A FAIR AND RESPONSIBLE MANNER				
VII.1 The Issuer has a Compensation Committee:			X	The functions to be performed by a Compensation Committee are currently performed by the Company's Human Resources Management. Thus, the functions described under VII.2 are fulfilled.
VII.1.1			Not applicable, as stated in VII.1 above	
VII.1.2			Not applicable, as stated in VII.1 above	
VII.1.3			Not applicable, as stated in VII.1 above	
VII.1.4			Not applicable, as stated in VII.1 above	
VII.1.5			Not applicable, as stated in VII.1 above	
VII.2 Upon the existence of a Compensation Committee.				
VII.2.1			Not applicable, as stated in VII.1 above	
VII.2.2			Not applicable, as stated in VII.1 above	
VII.2.3			Not applicable, as stated in VII.1 above	
VII.2.4			Not applicable, as stated in VII.1 above	
VII.2.5			Not applicable, as stated in VII.1 above	

	COMPLIANCE		INCOMPLIANCE	INFORM O EXPLAIN
	TOTAL	PARTIAL		
PRINCIPLE VII. TO COMPENSATE IN A FAIR AND RESPONSIBLE MANNER				
VII.2.6			Not applicable, as stated in VII.1 above	
VII.2.7			Not applicable, as stated in VII.1 above	
VII.3 If deemed significant, indicate the policies applied by the Issuer's Compensation Committee not mentioned in the previous point.				
VII.4 Upon the lack of a Compensation Committee, explain how the functions described in VII.2 are performed within the Administration Body.		X		<p>Section 5 of Edenor's Audit Committee Regulations sets forth —among other responsibilities— giving an opinion on the fairness of fee proposals and stock option plans offered by the Board of Directors regarding the Company's directors and administrators. For that purpose, such Committee may perform inquiries —by themselves or through their advisors— from compensation specialists, so as to ensure that executives receive similar compensation to that of other individuals holding similar positions in Argentina, taking into account the contribution made by each executive and the Company's general financial position and results of operations.</p> <p>As to the remaining Company employees, as previously stated, the Human Resources Management, with the aid of the General Manager, is in charge of developing and carrying out the relevant process to set compensation.</p>

	COMPLIANCE		INCOMPLIANCE	INFORM O EXPLAIN
	TOTAL	PARTIAL		
PRINCIPLE VIII. TO PROMOTE BUSINESS ETHICS				
Recommendation VIII: To guarantee ethical behavior at the Issuer.				
VIII.1 The Issuer has a Business Code of Conduct. Indicate the main guidelines and whether it is available to the public. Such Code is signed by at least Administration Body members and first-line managers. Indicate whether its enforcement is encouraged on providers and clients.	X			The Company has a Code of Conduct comprising the relationships with clients, providers and Company personnel; it also sets forth the guidelines and obligations related to the custody and protection of its assets, providing a general framework for personnel's behavior regarding internal information, accounting records and reports. The Code is notified to each employee and provider rendering services to the Company, who subscribe it. It is also published by including it in the annual report filed by the Company with the SEC through Form 20-F.
VIII.2 The Issuer has mechanisms to receive reports of any unlawful or unethical behavior, either in person or by electronic means, guaranteeing that the information provided is subject to the highest confidentiality and integrity standards, as well as information	X			The Company has a "Policy to enable the report of presumed irregularities within the Company" and a "Procedure for report management"; both documents establish a receipt, management and resolution process, which takes place anonymously and is operated by external and independent professionals. In addition, the abovementioned

	COMPLIANCE		INCOMPLIANCE	INFORM O EXPLAIN
	TOTAL	PARTIAL		
PRINCIPLE VIII. TO PROMOTE BUSINESS ETHICS				
recording and keeping. Indicate whether the report receipt and assessment service is rendered by Issuer's personnel or external and independent professionals to provide more protection to accusers.				Code of Conduct makes reference to this issue.
VIII.3 The Issuer has policies, processes and systems to manage the resolution of the reports mentioned in point VIII.2. Describe the most significant aspects thereof and indicate the level of involvement of the Audit Committee in those resolutions, particularly the reports related to internal control for accounting reports and the behavior of Administration Body members and first-line managers.	X			The Company has the policy and procedure described in the previous point. Both documents describe the process to be followed from report receipt to research conclusion and enforcement of any applicable corrective action. At least every quarter, Internal Audit Management reports the cases received and the resolutions adopted to the Audit Committee. The Committee supervises channel operation and the resolution of reports regarding all issues within its competence.

	COMPLIANCE		INCOMPLIANCE	INFORM O EXPLAIN
	TOTAL	PARTIAL		
PRINCIPLE IX: TO BROADEN THE CODE SCOPE				
Recommendation IX: Promote the incorporation of provisions contributing to good governance practices into by-laws.	X			In addition, the Administration Body approves on an annual basis the Corporate Governance Code Report, which is prepared pursuant to current CNV regulations. However, the Company's Board of Directors considers that the provisions currently included in the Corporate Governance Code should not be reflected in by-laws in full. Taking into account that both by-laws and the report are available to the public through CNV's website, the capital market transparency principle is met.

  
 The Board  
**RICARDO TORRES**  
 Chairman

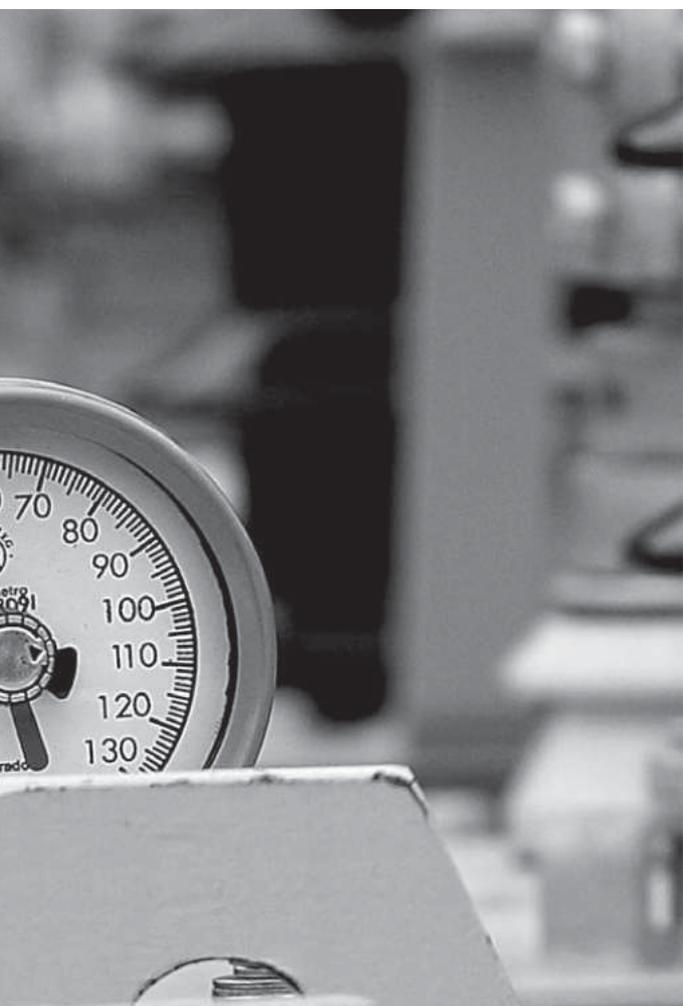


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Annual report  
ANNUAL REPORT  
ANNUAL REPORT  
ANNUAL REPORT  
ANNUAL REPORT

ANNUAL REPORT  
2012





*Consolidated Financial  
Statements*

**Edenor S.A.**  
**Consolidated Statements of Financial Position**  
**at December 31, 2012, 2011 and January 1, 2011**  
(Stated in thousands of pesos)

	Note	12.31.12	12.31.11	01.01.11
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	10	4,344,599	3,995,310	3,712,330
Intangible assets	11	845,848	793,015	-
Interest in joint ventures	7	422	419	415
Trade receivables	15	47,730	45,725	45,531
Other receivables	14	70,491	50,263	18,496
<b>Total non-current assets</b>		<b>5,309,090</b>	<b>4,884,732</b>	<b>3,776,772</b>
<b>Current assets</b>				
Assets under construction	12	84,466	45,504	-
Inventories	16	85,002	45,325	12,407
Trade receivables	15	889,383	534,732	421,193
Derivative financial instruments	13	-	1,316	-
Financial assets at fair value through profit or loss	13	3,415	2,132	430,836
Other receivables	14	135,578	76,265	40,069
Cash and cash equivalents	17	71,108	130,509	246,007
<b>Total current assets</b>		<b>1,268,952</b>	<b>835,783</b>	<b>1,150,512</b>
Assets of disposal groups classified as held for sale	40	223,398	1,291,078	-
<b>TOTAL ASSETS</b>		<b>6,801,440</b>	<b>7,011,593</b>	<b>4,927,284</b>

Véase nuestro informe de fecha 8/3/2013  
PRICE WATERHOUSE & CO S.R.L.  
C.P.C.E.C.A.B.A. Tº 1 - Fº 17

  
DAMIEL ABELOVICH  
por Comisión Fiscalizadora

  
ANDRÉS SUÁREZ  
Socio  
Contador Público U.B.A.  
C.P.C.E.C.A.B.A. Tº 245 - Fº 61

  
RICARDO TORRES  
Presidente

**Edenor S.A.**  
**Consolidated Statements of Financial Position**  
**at December 31, 2012, 2011 and January 1, 2011**  
(Stated in thousands of pesos)

	Note	12.31.12	12.31.11	01.01.11
<b>EQUITY</b>				
<b>Equity attributable to the owners</b>				
Share capital	19	897,043	897,043	897,043
Adjustment to capital	19	397,716	986,142	986,142
Additional paid-in capital	19	3,452	21,769	18,317
Treasury stock	19	9,412	9,412	9,412
Adjustment to treasury stock	19	10,347	10,347	10,347
Legal reserve	20	-	64,008	64,008
Accumulated deficit	20	(899,789)	(557,336)	(241,942)
<b>Equity attributable to the owners</b>		<b>418,181</b>	<b>1,431,385</b>	<b>1,743,327</b>
Non-controlling interests		71,107	415,801	-
<b>TOTAL EQUITY</b>		<b>489,288</b>	<b>1,847,186</b>	<b>1,743,327</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Trade payables	21	155,313	87,682	50,984
Deferred revenues	23	264,427	174,796	-
Other liabilities	22	1,894,772	1,373,689	984,518
Borrowings	24	1,350,700	1,189,882	1,035,113
Salaries and social security taxes payable	25	17,460	23,591	19,277
Benefit plans	26	97,436	83,503	41,492
Provisions	30	80,019	66,144	6,816
Taxes liabilities	28	9,971	17,652	8,979
Deferred tax liability	27	230,411	348,749	250,279
<b>Total non-current liabilities</b>		<b>4,100,509</b>	<b>3,365,688</b>	<b>2,397,458</b>
<b>Current liabilities</b>				
Trade payables	21	1,188,532	623,673	377,113
Borrowings	24	103,143	59,025	46,855
Derivative financial instruments	13	-	-	7,253
Salaries and social security taxes payable	25	384,307	275,789	180,432
Benefit plans	26	14,968	11,326	-
Taxes liabilities	28	202,546	147,723	111,080
Other liabilities	22	150,387	128,634	5,934
Provisions	30	10,493	10,344	57,832
<b>Total current liabilities</b>		<b>2,054,376</b>	<b>1,256,514</b>	<b>786,499</b>

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DAMIEL ABELOVICH  
por Comisión Fiscalizadora

  
ANDRÉS SUÁREZ  
Socio  
Contador Público U.B.A.  
C.P.C.E.C.A.B.A. Tº 245 - Fº 61

  
RICARDO TORRES  
Presidente

**Edenor S.A.**  
**Consolidated Statements of Financial Position**  
**at December 31, 2012, 2011 and January 1, 2011**  
 (Stated in thousands of pesos)

	<b>Note</b>	<b>12.31.12</b>	<b>12.31.11</b>	<b>01.01.11</b>
Liabilities of disposal groups classified as held for sale	<b>40</b>	157,267	542,205	-
<b>TOTAL LIABILITIES</b>		<b>6,312,152</b>	<b>5,164,407</b>	<b>3,183,957</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>6,801,440</b>	<b>7,011,593</b>	<b>4,927,284</b>

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

Véase nuestro informe de fecha 8/3/2013  
 PRICE WATERHOUSE & CO S.R.L.  
 C.P.C.E.C.A.B.A. Tº 1 - Fº 17

  
 DANIEL ABELOVICH  
 por Comisión Fiscalizadora

  
 ANDRÉS SUÁREZ  
 Socio  
 Contador Público U/B.A.  
 C.P.C.E.C.A.B.A. Tº 245 - Fº 61

  
 RICARDO TORRES  
 Presidente

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

	<b>Note</b>	<b>12.31.12</b>	<b>12.31.11</b>
<b>Continuing operations</b>			
Revenue from sales	<b>31</b>	3,725,256	2,805,817
Revenue from construction		117,615	87,374
Electric power purchases		(2,062,220)	(1,325,458)
Cost of construction		(117,615)	(87,374)
<b>Subtotal</b>		<b>1,663,036</b>	<b>1,480,359</b>
Transmission and distribution expenses	<b>32</b>	(1,570,072)	(1,094,825)
<b>Gross profit</b>		<b>92,964</b>	<b>385,534</b>
Selling expenses	<b>32</b>	(430,403)	(310,312)
Administrative expenses	<b>32</b>	(296,404)	(224,316)
Gain from acquisition of companies	<b>38</b>	-	434,959
Gain from interest in joint ventures		3	4
Other operating income	<b>33</b>	33,336	27,901
Other operating expense	<b>33</b>	(112,787)	(54,880)
<b>Operating (expense/income)</b>		<b>(713,291)</b>	<b>258,890</b>
Financial income	<b>34</b>	86,009	55,568
Financial expenses	<b>34</b>	(296,848)	(216,123)
Other financial results	<b>34</b>	(166,698)	(97,214)
<b>Net financial expense</b>		<b>(377,537)</b>	<b>(257,769)</b>
<b>(Loss) Profit before taxes</b>		<b>(1,090,828)</b>	<b>1,121</b>
Income tax	<b>27</b>	99,779	(152,971)
<b>Loss for the year from continuing operations</b>		<b>(991,049)</b>	<b>(151,850)</b>
Loss from discontinued operations	<b>18</b>	(22,367)	(139,531)
<b>Loss for the year</b>		<b>(1,013,416)</b>	<b>(291,381)</b>
<b>Loss for the year attributable to:</b>			
Owners of the parent		(1,016,470)	(304,057)
Non-controlling interests		3,054	12,676
<b>Loss for the year</b>		<b>(1,013,416)</b>	<b>(291,381)</b>

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Presidente

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

	<u>Note</u>	<u>12.31.12</u>	<u>12.31.11</u>
<b>Loss for the year attributable to owner of the parent:</b>			
Continuing operations		(1,000,621)	(157,675)
Discontinued operations		<u>(15,849)</u>	<u>(146,382)</u>
		<u><b>(1,016,470)</b></u>	<u><b>(304,057)</b></u>

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

	Note	12.31.12	12.31.11
<b>Other comprehensive loss</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Actuarial losses on benefit plans	26	4,701	(13,764)
Tax effect of actuarial losses on benefit plans		(1,646)	4,817
Total other comprehensive loss from discontinued operations		-	(3,393)
<b>Total other comprehensive loss</b>		<b>3,055</b>	<b>(12,340)</b>
Comprehensive loss for the year attributable to:			
Owners of the parent		(1,013,204)	(315,394)
Non-controlling interests		2,843	11,673
<b>Comprehensive loss for the year</b>		<b>(1,010,361)</b>	<b>(303,721)</b>
<b>Comprehensive loss for the year attributable to owner of the parent:</b>			
Continuing operations		(997,355)	(166,393)
Discontinued operations		(15,849)	(149,001)
		<b>(1,013,204)</b>	<b>(315,394)</b>
<b>Basic and diluted loss per share attributable to owner of the parent:</b>			
Basic and diluted loss per share – from discontinued operations	35	(0.02)	(0.16)
Basic and diluted loss per share – from continuing operations	35	(1.12)	(0.17)

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

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Presidente

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

	Share capital	Adjustment to capital	Treasury stock	Adjustment to treasury stock
<b>Balance at January 1, 2011</b>	<b>897,043</b>	<b>986,142</b>	<b>9,412</b>	<b>10,347</b>
Acquisition of companies (Note 38)	-	-	-	-
Additional purchase of non-controlling interests (Note 37)	-	-	-	-
Variation in non-controlling interests due to acquired companies sale agreements	-	-	-	-
Other comprehensive loss for the year (Loss) gain for the year	-	-	-	-
<b>Balance at December 31, 2011</b>	<b>897,043</b>	<b>986,142</b>	<b>9,412</b>	<b>10,347</b>
Subsidiarie´s sale	-	-	-	-
Cash dividends - Aeseba S.A.	-	-	-	-
Absorption of accumulated losses - Shareholders' Meeting of 04/27/2012 (Note 41) (1)	-	(588,426)	-	-
Increase of non-controlling interest of discontinued operations (Note 40)	-	-	-	-
Other comprehensive (loss) gain for the year (Loss) gain for the year	-	-	-	-
<b>Balance at December 31, 2012</b>	<b>897,043</b>	<b>397,716</b>	<b>9,412</b>	<b>10,347</b>

(1) The absorption of accumulated losses was made on the basis of the Financial Statements prepared under previous generally accepted accounting principles (Argentine GAAP), in effect as at December 31, 2011.

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

Additional paid-in capital	Legal reserve	Other comprehensive income	Accumulated deficit	Subtotal	Non-controlling interests	Total equity
<b>18.317</b>	<b>64.008</b>	<b>(6.588)</b>	<b>(235.354)</b>	<b>1.743.327</b>	-	<b>1.743.327</b>
-	-	-	-	-	230.040	230.040
3.452	-	-	-	3.452	(9.861)	(6.409)
-	-	-	-	-	183.949	183.949
-	-	(11.337)	-	(11.337)	(1.003)	(12.340)
-	-	-	(304.057)	(304.057)	12.676	(291.381)
<b>21.769</b>	<b>64.008</b>	<b>(17.925)</b>	<b>(539.411)</b>	<b>1.431.385</b>	<b>415.801</b>	<b>1.847.186</b>
-	-	-	-	-	(365.499)	(365.499)
-	-	-	-	-	(5.811)	(5.811)
(18.317)	(64.008)	-	670.751	-	-	-
-	-	3.266	-	3.266	23.773	23.773
-	-	-	(1.016.470)	(1.016.470)	(211)	3.055
-	-	-	-	-	3.054	(1.013.416)
<b>3.452</b>	<b>-</b>	<b>(14.659)</b>	<b>(885.130)</b>	<b>418.181</b>	<b>71.107</b>	<b>489.288</b>

Véase nuestro informe de fecha 8/3/2013  
PRICE WATERHOUSE & CO S.R.L.  
C.P.C.E.C.A.B.A. Tº 1 - Fº 17

  
DAMIEL ABELOVICH  
por Comisión Fiscalizadora

  
ANDRÉS SUÁREZ  
Socio  
Contador Público U.B.A.  
C.P.C.E.C.A.B.A. Tº 245 - Fº 61

  
RICARDO TORRES  
Presidente

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

	<b>Note</b>	<b>12.31.12</b>	<b>12.31.11</b>
<b>Cash flows from operating activities</b>			
Loss for the year		(1,013,416)	(291,381)
<b>Ajustments to reconcile net loss to net cash flows provided by operating activities</b>			
Depreciation of property, plant and equipment	10	197,871	187,893
Amortization of intangible assets	11	24,891	20,093
Disposals of property, plant and equipment	33	1,886	1,878
Loss from retirement of intangible assets	33	7,962	10,737
Gain from interest in joint ventures		(3)	(4)
Gain from the purchase of financial debt	34	-	(6,546)
Interest on loans and other liabilities	34	151,169	109,028
Exchange differences	34	194,087	102,822
Income tax	27	(99,779)	152,971
"Allowance for the impairment of trade receivables and other receivables"	14, 15	18,520	10,808
Provision for contingencies, net of recovery		26,442	8,094
Adjustment to present value of the retroactive tariff increase arising from the application of the new electricity rate schedule and other trade receivables	34	(421)	(1,170)
Changes in fair value of financial instruments	34	(39,053)	(13,296)
Gain from acquisition of companies	38	-	(434,959)
Benefit plans accrued	26	31,026	15,647
Discontinued operations		246,227	202,348
<b>Changes in operating assets and liabilities (excluding previous adjustments):</b>			
Net increase in trade receivables		(341,952)	(136,560)
Net increase in other receivables		11,720	(88,337)
Increase in inventories		(39,677)	(32,918)
Increase in assets under construction		(38,962)	(45,504)
Increase in trade payables		545,572	25,413
Increase in salaries and social security taxes payable		102,388	139,244
Decrease in benefit plans		(8,750)	(15,647)
Increase in taxes		49,654	36,461
Increase in deferred revenue		89,630	174,796
Increase in other liabilities		140,799	203,684
(Decrease) Increase in provisions		(12,418)	3,746
Income tax paid		(34,099)	(24,376)
Increase for funds obtained from the program for the rational use of electric power (Res SE N° 1037/07)		410,674	337,990
Increase for funds obtained from the program for the rational use of electric power (Res MIVSPBA N° 252/07)		13,127	5,995
<b>Net cash flows provided by operating activities</b>		<b>635,115</b>	<b>658,950</b>

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DAMIEL ABELOVICH  
por Comisión Fiscalizadora

  
ANDRÉS SUÁREZ  
Socio  
Contador Público U/B.A.  
C.P.C.E.C.A.B.A. T° 245 - F° 61

  
RICARDO TORRES  
Presidente

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

	<b>Note</b>	<b>12.31.2012</b>	<b>12.31.2011</b>
<b>Cash flows from investing activities</b>			
Decrease from sale of financial assets at fair value		37.770	442.000
Additions of property, plant and equipment		(549.046)	(443.407)
Additions of intangible assets		(85.686)	(63.366)
Payment for acquisition of companies		-	(442.911)
Payment for acquisition of additional non-controlling interests	-	(6.409)	
Loans granted		(14.643)	-
Collection of loans proceeds from borrowing		142.372	-
Collection for sale of discontinued operations		104.610	
Discontinued operations	18	(200.839)	(279.940)
<b>Net cash flows used in investing activities</b>		<b>(565.462)</b>	<b>(794.033)</b>
<b>Cash flows from financing activities</b>			
Loans taken		95.751	298.190
Repayments of borrowings		(210.263)	(380.433)
Change in non-controlling interest - Dividend Distribution Aeseba		(5.811)	-
Dividends paid		(5.588)	-
Discontinued operations	18	(39.919)	98.547
<b>Net cash flows (used in) provided by financing activities</b>		<b>(165.830)</b>	<b>16.304</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(96.177)</b>	<b>(118.779)</b>
Cash and cash equivalents at beginning of year	17	130.509	246.007
Gain from exchange differences in cash and cash equivalents		36.776	3.281
Changes in cash and cash equivalents		(96.177)	(118.779)
<b>Cash and cash equivalents at end of year</b>		<b>71.108</b>	<b>130.509</b>
Cash and cash equivalents in the statements of financial position	17	71.108	130.509
Cash and cash equivalents included in assets available for sale	40	11.154	28.305
<b>Cash and cash equivalents at end of year</b>		<b>82.262</b>	<b>158.814</b>

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

	Note	12.31.2012	12.31.2011
<b>Supplemental cash flows information</b>			
<b>Investing and financing activities that do not generate cash flow</b>			
Financial cost charged to fixed assets		6.405	4.095
<b>Changes in assets for disposal classified as held for sale</b>			
Increased credit extended related companies		(41.707)	-
Decrease advance payments received related companies		(10.406)	-
<b>Acquired companies</b>			
Cash and cash equivalents		-	119.042
Property, plant and equipment and intangible assets		-	1.881.404
Inventories		-	4.256
Trade receivables		-	255.260
Other receivables		-	84.649
Trade payables		-	(257.770)
Borrowings		-	(450.018)
Deferred tax liability		-	(78.845)
Other liabilities		-	(331.026)
<b>Net assets</b>	<b>38</b>	<b>-</b>	<b>1.226.952</b>
Non-controlling interests		-	(230.040)
<b>Net assets acquired</b>	<b>38</b>	<b>-</b>	<b>996.912</b>
Bargain purchase		-	434.959
<b>Cash paid</b>	<b>38</b>	<b>-</b>	<b>(561.953)</b>
Cash and cash equivalents in acquired companies		-	119.042
<b>Net cash outflow for acquisition of companies</b>	<b>38</b>	<b>-</b>	<b>(442.911)</b>

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

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## 1. General information

### History and development of the Company

Empresa Distribuidora Norte S.A. (EDENOR S.A. or the Company) was organized on July 21, 1992 by Decree No. 714/92 in connection with the privatization and concession process of the distribution and sale of electric power carried out by Servicios Eléctricos del Gran Buenos Aires S.A. (Segba S.A.).

By means of an International Public Bidding, the Federal Government awarded 51% of the Company's capital stock, represented by the Class "A" shares, to the bid made by Electricidad Argentina S.A. (EASA), the parent company of Edenor S.A. The award as well as the transfer contract were approved on August 24, 1992 by Decree No. 1,507/92 of the Federal Government.

On September 1, 1992, EASA took over the operations of EDENOR S.A.

The corporate purpose of EDENOR S.A. is to engage in the distribution and sale of electricity within the concession area. Furthermore, among other activities, the Company may subscribe or acquire shares of other electricity distribution companies, subject to the approval of the regulatory agency, lease the network to provide electricity transmission or other voice, data and image transmission services, and render advisory, training, maintenance, consulting, and management services and know-how related to the distribution of electricity both in Argentina and abroad. These activities may be conducted directly by EDENOR S.A. or through subsidiaries or related companies. In addition, the Company may act as trustee of trusts created under Argentine laws, including extending secured credit facilities to service vendors and suppliers acting in the distribution and sale of electricity, who have been granted guarantees by reciprocal guarantee companies owned by the Company.

Edenor S.A. and its indirectly controlled company EDEN, distribute electricity to more than 3.03 million customers in a concession area that is comprised of the northern area of the City of Buenos Aires, the northern and northwestern metropolitan areas of Greater Buenos Aires, and the northern area of the Province of Buenos Aires.

### The Company's economic and financial situation

In the years ended December 31, 2012 and 2011, the Company recorded negative operating and net results, with its liquidity level and working capital having been affected as well. This situation is due mainly to both the continuous increase of its operating costs that are necessary to maintain the level of the service, and the delay in obtaining rate increases and higher costs recognition ("CMM"), requested in the presentations made until now by the Company in accordance with the terms of the Adjustment Agreement.

It is worth mentioning that the Company has not only maintained the quality of the distribution service but also satisfied the constant year-on-year increase in the demand for electricity that has accompanied the economic growth of the last years. Due to both the continuous increase recorded in the costs associated

  
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with surplus cash balances after having complied with the commitments necessary to guarantee the provision of the public service, including the investment plans underway and operation and maintenance works. We consider this situation as a transitional system to be applied until the new regulatory model announced by the National Authorities, aimed at restoring the economic and financial equation of the Concession Agreement, is implemented. In connection with the aforementioned, the Company has been ordered by the ENRE and CAMMESA to cancel such debt. In its reply to the ENRE, the Company rejected the Regulatory Authority's competence to intervene in its commercial issues with third parties, and, in its reply to CAMMESA, the Company stated that the cash deficit that prevents it from canceling the total amount of the debt is a case of force majeure inasmuch as the Company does not have the possibility of approving its electricity rates, but, at the same time, has to maintain the priority given to the operation of the public service.

Should the conditions existing at the date of these financial statements continue, the Board of Directors believes that the Company's economic and financial situation will continue to deteriorate and cash flows and operating results for the year 2013, and financial ratios, will be negatively impacted.

Furthermore, and as described in Note 19 to these financial statements, the Company's loss of capital stock must be dealt with and resolved by its shareholders.

In light of the above mentioned, the Company's Board of Directors continues analyzing different scenarios and possibilities to mitigate or reduce the negative impact of the Company's situation on its operating cash flows and thereby present the shareholders with diverse courses of action. Nevertheless, the improvement of revenues so as to balance the economic and financial equation of the concession continues to be the most relevant aspect.

The outcome of the overall electricity rate review is uncertain as to both its timing and final form. Therefore, the uncertainties of the previous year continued during the year being reported, thus if in fiscal year 2013: (i) the new electricity rate schedules are not issued by the ENRE; (ii) the Company is not granted other mechanism to compensate cost increases, in addition to the revenue obtained as a result of Resolution 347/12 or the funds derived from the PUREE, and/or; (iii) the Company does not obtain from the Federal Government other mechanism that provides it with financing for cost increases, it is likely that the Company will have insufficient liquidity and will therefore be obliged to implement various measures to preserve cash and enhance its liquidity. Additionally, the Company may not ensure that it will be able to obtain additional financing on acceptable terms. Therefore, should any of these measures, individually or in the aggregate, not be achieved, there is significant risk that such situation will have a material adverse impact on the Company's operations. Edenor may need to enter into a renegotiation process with its suppliers and creditors in order to obtain changes in the terms of its obligations to ease the aforementioned financial situation.

Given the fact that the realization of the projected measures to revert the manifested negative trend depends, among other factors, on the occurrence of certain events that are not under the Company's control, such as the requested electricity rate increases or their replacement by a new remuneration system, the Board of Directors has raised substantial doubt about the ability of the Company to continue as a going concern in the term of the next fiscal year.

  
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Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

Nevertheless, these Consolidated Financial Statements have been prepared in accordance with the accounting principles applicable to a going concern, assuming that the Company will continue to operate normally. Therefore, they do not include the effects of the adjustments or reclassifications, if there were any that might result from the outcome of this uncertainty.

## 2. Regulatory framework

### 2.1 EDENOR S.A.

#### a. General

The Company is subject to the regulatory framework provided under Law No. 24,065 and the regulations issued by the National Regulatory Authority for the Distribution of Electricity (ENRE).

The ENRE is empowered to approve and control tariffs, and control the quality levels of the technical product and service, the commercial service and the compliance with public safety regulations, as established in the Concession Agreement. If the Distribution Company fails to comply with the obligations assumed, the ENRE will be entitled to apply the penalties stipulated in the Concession Agreement, which may include the foreclosure on the Class "A" shares, which have been pledged as collateral by the majority holders thereof.

The Distribution Company's obligations are, among others, to make the necessary investments and carry out the necessary maintenance works in order to ensure that the quality levels established for the provision of the service in the concession area will be complied with and that electricity supply and availability will be sufficient to meet the demand in due time, securing the sources of supply.

If the Company repeatedly fails to comply with the obligations assumed in the Concession Agreement, the grantor of the concession will be entitled to foreclose on the collateral granted by the majority shareholders by means of the pledge of the Class A shares and sell them in a Public Bid. This, however, will not affect the continuity of the Holder of the concession. At the date of issuance of these financial statements, there have been no events of non-compliance by the Company that could be regarded as included within the scope of this situation.

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

  
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and subsequent periods of 10 years each. At the end of each management period, the Class "A" shares representing 51% of the capital stock of EDENOR S.A., currently held by EASA, must be offered for sale through a public bidding. If EASA makes the highest bid, it will continue to hold the Class "A" shares, and no further disbursements will be necessary. On the contrary, if EASA is not the highest bidder, then the bidder who makes the highest bid shall pay EASA the amount of the bid in accordance with the conditions of the public bidding. The proceeds from the sale of the Class "A" shares will be delivered to EASA after deducting any amounts receivable to which the Grantor of the concession may be entitled.

On July 7, 2007 the Official Gazette published Resolution No. 467/07 of the ENRE pursuant to which the first management period is extended for 5 years to commence as from the date on which the Review of the Company Tariff Structure (RTI) goes into effect. Its original maturity would have taken place on August 31, 2007.

In accordance with the provisions of Resolution No. 467/2007 of the ENRE, the commencement of the aforementioned process for the sale of the shares shall take place when the five-year tariff period beginning after the ending of the RTI comes to an end.

The Company has the exclusive right to render electric power distribution and sales services within the concession area to all users who are not authorized to obtain their power supply from the Wholesale Electricity Market (MEM), thus being obliged to supply all the electric power that may be required in due time and in accordance with the established quality levels. In addition, the Company must allow free access to its facilities to any MEM agents whenever required, under the terms of the Concession.

No specific fee must be paid by the Company under the Concession Agreement during the term of the concession.

On January 6, 2002, the Federal Executive Power passed Law No. 25,561 whereby adjustment clauses in US dollars, as well as any other indexation mechanisms stipulated in the contracts entered into by the Federal Government, including those related to public utilities, were declared null and void as from such date. The resulting prices and rates were converted into Argentine pesos at a rate of 1 peso per US dollar.

Furthermore, Law No. 25,561 authorized the Federal Executive Power to renegotiate public utility contracts taking certain criteria into account.

It is worth mentioning that both the declaration of economic emergency and the period to renegotiate public utility contracts were extended through December 31, 2013 by Law No. 26,729.

### **c. Edenor's electricity rate situation**

#### **I. Adjustment Agreement entered into between Edenor S.A. and the Federal Government**

On September 21, 2005, Edenor S.A. signed an Adjustment Agreement within the framework of the process of renegotiation of the Concession Agreement set forth in Law No. 25,561 and supplementary regulations, which was ratified on February 13, 2006.

  
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Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61



required by the regulations, will be the fundamental basis of the Comprehensive Renegotiation of the Concession Agreement of the public service of electric power distribution and sale within the federal jurisdiction, between the Federal Executive Power and the Company.

Additionally, on February 5, 2007 the Official Gazette published Resolution No. 51/07 of the ENRE which approves the electricity rate schedule resulting from the RTT, applicable to consumption recorded as from February 1, 2007. This document provides for the following:

- i) A 23% average increase in distribution costs, service connection costs and service reconnection costs in effect, except for the residential tariffs;
- ii) An additional 5% average increase in distribution costs, to be applied to the execution of the works and infrastructure plan detailed in the Adjustment Agreement;
- iii) Implementation of the Cost Monitoring Mechanism ("CMM") contemplated in the Adjustment Agreement, which for the six-month period commenced November 1, 2005 and ended April 30, 2006, shows a percentage of 8.032%. This percentage will be applied to non-residential consumption recorded from May 1, 2006 through January 31, 2007;
- iv) Invoicing in 55 equal and consecutive monthly installments of the differences arising from the application of the new electricity rate schedule for non-residential consumption recorded from November 1, 2005 through January 31, 2007 (paragraphs i) and ii) above) and from May 1, 2006 through January 31, 2007 (paragraph iii) above);
- v) Invoicing of the differences corresponding to deviations between foreseen physical transactions and those effectively carried out and of other concepts related to the MEM, such as the Specific fee payable for the Expansion of the Network, Transportation and Others;
- vi) Presentation, within a period of 45 calendar days from the issuance of this resolution, of an adjusted annual investment plan, in physical and monetary values, in compliance with the requirements of the Adjustment Agreement.

Resolution No. 434/2007 established, among other things, that the obligations and commitments set forth in section 22 of the Adjustment Agreement be extended until the date on which the electricity rate schedule resulting from the RTI goes into effect, allowing Edenor S.A. and its shareholders to resume the legal actions suspended as a consequence of the Adjustment Agreement if the new electricity rate schedule does not go into effect.

## II. Tariff Structure Review (RTI)

On July 30, 2008, the National Energy Secretariat ("SE") issued Resolution No. 865/08 which modifies Resolution No. 434/07 and establishes that the electricity rate schedule resulting from the RTI will go into effect in February 2009. At the date of issuance of these financial statements, no resolution has been issued concerning the application of the electricity rate schedule resulting from such process.

  
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With regard to the commencement of the RTI process, the ENRE has begun this process, and Edenor S.A., on November 12, 2009, submitted its revenue requirements proposal for the new period, which included the grounds and criteria based on which the request is made. As from that moment, the Company has made successive and reiterated presentations. In this regard, the Company has filed a Preliminary Administrative Action ("Reclamo Administrativo Previo") before the Ministry of Federal Planning, Public Investment and Services as well as a petition for the immediate resolution of the subject matter.

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

Resolution No. 1,037/07 of the SE established that the amounts paid by Edenor S.A. as Quarterly Adjustment Coefficient ("CAT") implemented by section 1 of Law No. 25,957, as well as the amounts corresponding to the Cost Monitoring Mechanism (CMM) for the period May 2006 through April 2007 (see point ii and iii), be deducted from the funds resulting from the difference between surcharges billed and discounts made to customers, resulting from the implementation of the PUREE, until their transfer to the tariff is granted by the regulatory authority. Furthermore, it establishes that the CMM adjustment for the period May 2006 through April 2007, applicable as from May 1, 2007, is 9.63%.

The CMM adjustment for the May - October 2007 period, applicable as from November 1, 2007 was 7.56 % and amounted to \$ 45.531 million.

On October 25, 2007, the ENRE issued Resolution No. 710/2007 which approved the aforementioned CMM compensation mechanism.

Additionally, in November 2007 and May 2008, the Company requested additional increases in its distribution margins in accordance with the CMM in order to reflect the variations recorded in its distribution cost base for the periods May-October 2007 and November 2007-April 2008.

In July 2008, the Company obtained an increase of approximately 17.9% in the DAV that could be transferred to tariffs. This increase represented the 9.63% CMM increase for the May 2006-Abril 2007 period, as well as the 7.56% CMM increase for the May-October 2007 period. These CMM increases were transferred to the Company's tariff structure as from July 1, 2008 and resulted in an average increase of 10% for small and medium-demand commercial customers, industrial customers and large-demand users who buy energy directly from generators, and in an average increase of 21% for residential customers with bimonthly consumption levels over 650 kWh, in accordance with a step-up system depending on bimonthly consumption levels.

Notwithstanding the fact that pursuant to Note No. 81,399 sent to the Energy Secretariat the ENRE confirmed an additional 5.79% increase in accordance with the CMM for the November 2007-April 2008 period, as of to date, the Regulatory Authority has neither approved a new rate system that would include such increase in the Company's rates nor authorized the Company to collect such increase by other means, for example through an off-setting mechanism against contributions made to the PUREE, as was the case in the past.

Due to the increase recorded in operating and maintenance costs in accordance with the criterion of the polynomial formula contemplated in the Adjustment Agreement, at the date of issuance of these

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C.P.C.E.C.A.B.A. T° 245 - F° 61

Financial Statements, the Company has submitted to the ENRE the CMM adjustment requests in accordance with the following detail:

Period	Application date	CMM Adjustment
November 2007 - April 2008	May 2008	5.79%
May 2008 – October 2008	November 2008	5.68%
November 2008 - April 2009	May 2009	5.07%
May 2009 – October 2009	November 2009	5.04%
November 2009 – April 2010	May 2010	7.10%
May 2010 – October 2010	November 2010	7.24%
November 2010 – April 2011	May 2011	6.10%
May 2011 – October 2011	November 2011	7.72%
November 2011 – April 2012	May 2012	8.53%
May 2012 – October 2012	November 2012	7.32%

At the date of issuance of these financial statements, the aforementioned ratios as well as the real major costs that should be recognized and transferred to the tariff are pending approval by the ENRE. However, the Company has become aware of certain internal administrative proceedings through communications of the Regulatory Entity to the Under-Secretariat of Management Control and Coordination of the Ministry of Federal Planning, Public Investment and Services, according to which the analysis made by them shows percentages similar to those calculated by the Company with regard to CMM ratios.

Based on this information, the Company has estimated that the claims effectively made for CMM adjustments, which were not transferred to tariffs nor authorized to be collected by other means, amount to approximately \$ 1,999 million. In accordance with the Company's estimate, the amount of the real major costs submitted in the presentations made and not yet authorized to be transferred to electricity rates is significantly higher than that determined after solely considering the CMM adjustments confirmed by the Regulatory Authority.

For these concepts, and until such time as the CMM adjustments are effectively transferred to tariffs, the distribution company is entitled to use PUREE excess funds, as established in Resolutions 1037/07 and 1383/08 of the Energy Secretariat and ENRE Note 83818. In this regard, and up to date, the Company has neither recognized nor accrued any amount receivable for this concept in these financial statements, until approval is granted by the control authority.

By Resolution 347/12, the ENRE established the application of a fixed and a variable charge associated with power to be included in customer bills, which the distribution company will collect on account of the CMM adjustments stipulated in section 4.2 of the Adjustment Agreement and specifically use for the making of investments and reactive maintenance tasks. Although in the whereas clauses of the Resolution the ENRE recognizes the existence of CMM adjustment requests (incorporar con la terminología usada en la resolución) and states that the authorized charges are on account of CMM adjustments, it says nothing about what provisions will apply concerning the effect thereof for the period elapsed between the date such requests were made and the date of their application to the customer bill.

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Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

In this regard, the Company is currently analyzing the steps to be followed in order to obtain economic recognition of the CMM adjustments resulting from this new charge, the company estimates this charge in \$ 1,661 million approximately, until the provisions for the management and quantification thereof are determined by the competent authorities.

At December 31, 2012, and 2011 and January 1, 2011, liabilities generated by the excess funds deriving from the application of the PUREE, amount to \$ 1,277.76 million, \$ 867.09 million and \$ 529.10 million, respectively, and have been disclosed in the Other non-current liabilities account. This increase in liabilities is due to the fact that the Company was allowed to keep such funds (SE Resolutions Nos. 1037/07 and 1383/08 and ENRE Note No 83818 in order to cover the CMM increases not transferred to the tariff.

Furthermore, the necessary steps to regularize the situation are being taken in order to restore the economic and financial equation of the business, in view of the increases recorded in operating costs. At the same time, administrative and judicial actions have been brought aimed at obtaining both CMM recognition and that the Overall Electricity Rate Review stipulated in the Adjustment Agreement, whose performance is pending, be carried out by the ENRE.

#### IV. Electricity rate schedules

The SE issued Resolution No. 1,169/08 which approved the new seasonal reference prices of power and energy in the Wholesale Electricity Market ("MEM"). Consequently, the ENRE issued Resolution No. 628/08 which approved the values of the electricity rate schedule to be applied as from October 1, 2008. The aforementioned electricity rate schedule included the transfer of the increase in the seasonal energy price to tariffs, with the aim of reducing Federal Government grants to the electricity sector, without increasing Edenor's distribution added value.

On June 15, 2012, the National Energy Secretariat established the Seasonal Prices to be paid by the customers served by the agents who provide the public service of electricity distribution of the MEM in order for them to be consistent with the situation existing in winter and compatible with payment capacity of the different social classes comprising the residential customer category of the referred to agents' electricity rate schedules. For such purpose, the Energy Secretariat issued Resolution No. 255/12 which suspended the application of sections 6, 7, and 8 of SE Resolution No. 1169/08 from June 1, 2012 through September 30, 2012. Furthermore, it established the energy reference prices in the Market, applicable to the June 1-July 31, 2012 and the August 1-September 30, 2012 periods, for the different customer categories. Additionally, it established the application of SE Resolution No. 1301/11, and other complementary regulations and instructions, to all the customers mentioned therein as the parties subject to compliance thereof (section 8 of SE Resolution No. 255/12).

Furthermore, on November 30, 2012, the Company was notified of SE Resolution No. 2016, which approved the MEM Summer Scheduling for the November 1, 2012-April 30, 2013 period, calculated in accordance with the "Scheduling of Operation, Load Dispatch and Price Calculation Procedures". Additionally, it establishes the application as from November 1, 2012 of the Subsidized Seasonal Reference Prices defined in Appendix I for each Distribution Agent identified therein. It is also established that, as from November 1, 2012, the Un-Subsidized Seasonal Reference Price in the MEM is kept at an annual average value of \$320 Mwh for each Distribution Agent mentioned in Appendix II. It is clearly

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stated that in the case of Un-Subsidized Seasonal Reference Prices, the values to be transferred to final tariffs will in no case exceed those established in Appendix II.

As in previous years, Resolution No. 1,037/07 of the Energy Secretariat, ratified by Note No. 1,383/08 of that Secretariat, continued to produce effects. The aforementioned resolution modified the earmarking of the funds resulting from the application of the Program for the Rational Use of Electric Power ("PUREE"), being it possible to deduct therefrom a) the amounts paid by the Company as Quarterly Adjustment Coefficient ("CAT") implemented by Section 1 of Law No. 25,957, to calculate the total value of the National Fund of Electricity (FNEE); and b) the amounts corresponding to the electricity rates adjustments due to the application of the Cost Monitoring Mechanism ("CMM") established in the Adjustment Agreement, until the transfer to the tariff of either of the aforementioned concepts, as applicable, is recognized.

#### **V. Resolution ENRE No. 347/2012**

On November 23, 2012, the ENRE issued Resolution 347 pursuant to which distribution companies were authorized, as from the issuance thereof, to include in their bills a fixed amount for small-demand (T1) customers and a variable amount for medium and large-demand (T2 and T3) customers, to be calculated on a percentage of their respective power charges. Such amounts, which will be clearly indicated in the bills sent to customers, will constitute a special account, which will be managed by a Trust, and will be exclusively used for the execution of distribution infrastructure works and corrective maintenance of each distribution company's facilities.

As established in such Resolution, on November 29, 2012, the Company, in its capacity as Trustor, and Nación Fideicomisos S.A., as Trustee, entered into a private Financial and Management Trust Agreement, whereby the Company, as settlor of the trust, agreed to assign and transfer to the Trustee the fixed amounts set forth by Resolution 347 that are effectively collected, which will constitute the trust assets. Such agreement was ratified and approved by the Company's Board of Directors on December 11, 2012.

On December 18, 2012, the Company and Nación Fideicomisos S.A., signed the respective Operating Manual, whose purpose is to implement, standardize, and enable the collection and management of the trust assets. On that date, the Company's Board of Directors approved the Operating Manual and appointed its attorneys-in-fact to represent the Company before Nación Fideicomisos S.A. in issues related to the Trust and the Operating Manual.

The fixed amounts resulting from the application of this resolution represent revenue for the Company, accordingly as mentioned in Note 4.4.a.

Moreover, a plan for the execution of works is agreed by and between the Company and control authorities, based on which, the Company will subsequently request that trust funds be withdrawn in order to apply them to the payment of the aforementioned works. At December 31, 2012, these trust assets have been disclosed in the Other receivables account and amount to \$ 3.79 million.

#### **d. Framework agreement**

On January 10, 1994, the Company, together with EDESUR S.A., the Federal Government and the Government of the Province of Buenos Aires entered into a Framework Agreement, whose purpose was

  
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por Comisión Fiscalizadora

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Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

to establish the guidelines under which the Company is to supply electricity to low-income areas and shantytowns.

On July 22, 2011, the Company, together with EDESUR S.A. and EDELAP S.A., entered into an Addendum with the Federal Government and the Government of the Province of Buenos Aires, for the renewal for a term of four years of the New Framework Agreement that had been signed on October 6, 2003. Such extension was approved on September 21, 2012 by Resolution 248/12 issued by the ENRE and ratified by the Ministry of Federal Planning, Public Investment and Services through Resolution 247.

At December 31, 2012, 2011 and January 1, 2011, receivable balances with the Federal Government and the Government of the Province of Buenos Aires amount to \$ 25.4 million, \$ 25.7 million and \$ 33.05, respectively.

With regard to the amount receivable the Company has with the Province of Buenos Aires, on October 18, 2012 the Company entered into an Agreement for the Settlement of Non-financial Obligations and Subscription of Buenos Aires Province Government Bonds, pursuant to which the Company agreed to receive an amount of 325 in cash and subscribe Series B Bonds for a residual nominal value of \$ 6.14 million, as settlement of the debt that at December 31, 2010 such Province had with the Company for the electric power supplied to low-income areas.

#### **e. Penalties**

##### **i. General**

As the control authority, the ENRE is empowered to control the quality levels of the technical product and service, the commercial service and the compliance with public safety regulations, as established in the Concession Agreement. If the Distribution Company fails to comply with the obligations assumed, the ENRE will be entitled to apply the penalties stipulated in the Concession Agreement.

At December 31, 2012, 2011 and January 1, 2011, the Company has accrued the penalties for resolutions not yet issued by the ENRE relating to the control years elapsed as at those dates. Additionally, the Company has applied the adjustment contemplated in the temporary tariff structure as well as the adjustments established by the electricity rate schedules applied during fiscal year 2008, Resolutions Nos. 324/08 and 628/08.

ENRE Penalties and Discounts included in the Adjustment Agreement are adjusted as stipulated in such agreement, caption c item a-Adjustment Agreement between Edenor S.A. and the Federal Government, whereas the penalties imposed subsequent to the Adjustment Agreement are adjusted as established in each of the resolutions pursuant to which such penalties are imposed.

Furthermore, at December 31, 2012, the Company's Management has considered that the ENRE has mostly complied with the obligation to suspend lawsuits aimed at collecting penalties, without prejudice to maintaining an open discussion with the entity concerning the effective date of the Adjustment Agreement and, consequently, concerning the penalties included in the renegotiation and those subject to the criteria of the Transition Period.

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**ii. Specific situations**

Due to the events occurred between December 20 and December 31, 2010 in Edenor's concession area, on February 9, 2011, the ENRE issued Resolution No. 32/11 pursuant to which a penalty procedure was initiated due to the Company's failure to comply with the provisions of Section 25 sub-sections a), f) and g) of the Concession Agreement, Section 27 of Law No. 24,065, and ENRE Resolution No. 905/99.

On February 9, 2011, Edenor S.A. was notified of the issuance of ENRE Resolution No. 32/11, whereby the Company was fined in the amount of \$ 1.1 million and ordered to compensate those customers who had been affected by the power cuts for approximately \$ 30.04 million. These amounts have been recorded in the Other current liabilities account.

Edenor S.A. filed a Direct Appeal with the Appellate Court in Contentious and Administrative Federal Matters No. I, requesting that the Resolution be declared null and void. Additionally, Edenor S.A. filed –with the same Court– a petition for the granting of a precautionary measure, aimed at suspending the application of the fine imposed until a decision on the direct appeal is issued. On March 23, 2011, the court ordered the suspension of the penalty (payment of the amounts imposed), until a decision on the precautionary measure petition filed by Edenor S.A. is rendered. Against this decision, the ENRE filed a post-judgment motion for reversal (“Recurso de Reposición”) which was rejected in all its terms. On April 28, 2011, the Court rejected the precautionary measure petition filed. Therefore, Edenor S.A. filed an extraordinary federal appeal (“Recurso Extraordinario Federal”), which –after having been made available to the ENRE– was dismissed. The Company then filed an appeal (“Recurso de Queja por apelación denegada”) with the Supreme Court requesting that the rejected extraordinary federal appeal be sustained, which as of to date has not been resolved. Furthermore, on July 8, 2011, Edenor S.A. requested that notice of the substance of the case be served on the ENRE. Having this procedural step been carried out and the service of notice been answered, the proceedings are “awaiting resolution”.

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

In addition, it was resolved that the Company and EDESUR S.A. be ordered to compensate each small-demand residential customer (T1R) who had been affected by the power cuts occurred during the aforementioned period. The amount of the compensation will depend on the length of the power cut, provided, however, that such power cut lasted more than 12 continuous hours. The provision recorded by the Company for penalties and compensations amounts to \$ 16.7 million.

**f. Restriction on the transfer of the Company's common shares**

The by-laws provide that Class “A” shareholders may transfer their shares only with the prior approval of the ENRE. The ENRE must communicate its decision within 90 days upon submission of the request for such approval, otherwise the transfer will be deemed approved.

  
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Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

Furthermore, Caja de Valores S.A. (the Public Register Office), which keeps the Share Register of the shares, is entitled (as stated in the by-laws) to reject such entries which, at its criterion, do not comply with the rules for the transfer of common shares included in (i) the Argentine Business Organizations Law, (ii) the Concession Agreement and (iii) the Company's by-laws.

In addition, the Class "A" shares will be pledged during the entire term of the concession as collateral to secure the performance of the obligations assumed under the Concession Agreement.

**Other restrictions:**

- In connection with the issuance of Corporate Notes; EASA is required to be the beneficial owner and owner of record of not less than 51% of the Company's issued, voting and outstanding shares during the term of the Corporate Notes.
- In connection with the Adjustment Agreement signed with the Grantor of the Concession and ratified by Decree No. 1.957/06; Section ten stipulates that from the signing of the agreement through the end of the Contractual Transition Period, the majority shareholders may not modify their ownership interest nor sell their shares.
- In connection with the restructuring of the totality of EASA's financial debt that ended on July 19, 2006; if EASA did not comply with its payment obligations under the new debt, its creditors could obtain an attachment order against the Company's Class A shares held by EASA, and, consequently, the Argentine Government would be entitled, as stipulated in the concession agreement, to foreclose on the pledged shares.

**g. Concession of the use of real property**

Pursuant to the Bid Package, SEGBA granted the Company the free use of real property for periods of 3, 5 and 95 years, with or without a purchase option, based on the characteristics of each asset, and the Company would be responsible for the payment of any taxes, charges and contributions levied on such properties and for the taking out of insurance against fire, property damage and third-party liability, to SEGBA's satisfaction.

The Company may make all kind of improvements to the properties, including new constructions, upon SEGBA's prior authorization, which will become the grantor's property when the concession period is over, and the Company will not be entitled to any compensation whatsoever. SEGBA may terminate the loan for use contract after demanding the performance by the Company of any pending obligation, in certain specified cases contemplated in the Bid Package. At present, as SEGBA's residual entity has been liquidated, these presentations and controls are made to the National Agency of Public Properties (ONABE), with which the Company entered into a debt recognition and refinancing agreement for \$ 4.68 million on September 25, 2009.

The form of payment stipulated in the aforementioned agreement established an advance payment of \$ 1,12 million, which the Company made on September 25, 2009, and 48 installments of \$ 0.10 million for the remaining balance of \$ 3.5 million. The installments include compensatory interest of 18.5% per annum under the French system, and are payable as from October 2009.

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por Comisión Fiscalizadora

  
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C.P.C.E.C.A.B.A. T° 245 - F° 61

At December 31, 2012, 2011 and January 1, 2011, the outstanding principal amounts for this concept total \$ 0.7 million, \$ 1.8 million and \$ 2.6 million, respectively, which have been recorded in Trade payables under Other.

#### **h. Stabilization factor**

By Note No. 2883 dated May 8, 2012 (reference Resolutions MEyFP No. 693/11 and MPFIPyS No. 1900/2011), the National Energy Secretariat has implemented a mechanism whose objective is to keep the amounts billed to residential customers throughout the year stable, thereby minimizing the effects of the seasonal consumption of electricity.

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

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

The differences that arise as a consequence of comparing the annual average consumption to the current two-month consumption period will be recorded at the end of each period in the trade receivables balance sheet account, crediting or debiting the account, as the case may be, if the annual average consumption is higher or lower than the current two-month consumption period.

## **2.2 EDEN S.A.**

### **a. General**

Empresa Distribuidora de Energía Norte S.A. is subject to compliance with the electric power sector regulatory framework of the Province of Buenos Aires, in accordance with the provisions of Law No. 11,769/96 (text consolidated by Decree 1868/04 and amendments introduced by Laws Nos. 13,929 and 14068) and its Regulatory Decree No. 2479/04 issued by the Government of the Province of Buenos Aires.

On May 27, 1997, a Provincial Concession Agreement was entered into by and between Empresa Distribuidora de Energía Norte S.A. and the Application Authority of Law 11,769/96, pursuant to which the Company was granted the concession of the public service of electricity distribution and sale within the concession area stipulated therein. This agreement also stipulates the terms and conditions for the provision of such service.

### **b. Concession**

Empresa Distribuidora de Energía Norte S.A. ("EDEN S.A.") is a company created by the Province of Buenos Aires, which privatized 100% of its capital stock in the framework of Decree No. 106/97 of the Provincial Executive Power.

  
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por Comisión Fiscalizadora

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Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

The aforementioned privatization was carried out through the awarding of the concession of the exclusive right to provide the electricity distribution service for a term of ninety-five years to commence as from the takeover date. The term of the concession is divided into management periods, a first period of fifteen years and subsequent periods of ten years each. The grantor of the concession may extend the term of the concession for a maximum period of ten years.

On June 2, 1997, the Holder of the concession took over the operations of Empresa Distribuidora de Energía Norte S.A.

### **c. Electricity rate situation**

On October 25, 2005, the Ministry of Infrastructure, Housing and Public Services (MIVySP) and EDEN signed a Protocol of Understanding pursuant to which the following was defined: a) a way to recover revenue from the concession by means of economic and financial models that contemplate a basic and objective economic and financial balance; and b) the need to carry out an overall electricity rate review, which was expected to take place in October 2007 but has never been carried out. That Protocol of Understanding was approved by Decree No. 2,862/05 and ratified by the 2006 budget law.

In accordance with the application of the revenue adjustment mechanism contemplated in the Protocol of Understanding, electricity rate increases have been granted since 2005, the last requests being those detailed below:

On June 1, 2011, the MIVySP issued Resolution No. 415/2011, which, approving the request for the adjustment of the electricity distribution service costs submitted by EDEN, authorized a 9% increase in EDEN's average sale rate, to be distributed among final users to consumption recorded as from June 1, 2011.

Additionally, on November 9, 2011, EDEN made a new request to the MIVySP, which is pending approval, requesting an adjustment of rates commensurate with the increases recorded in operating costs (of approximately 17% as compared to the presentation made in December 2010), and the variation in the valuation of the assets made available for the provision of the service at June 2011 (of approximately 21% as compared to the presentation made in December 2010).

On July 20, 2012, the Infrastructure Ministry of the Province of Buenos Aires issued Resolution No. 243/2012, published in the Official Gazette on July 24 of the current year, which established the new electricity rate schedules applicable to the July 1-July 31, 2012 and August 1-September 30, 2012 periods, and from October 1, 2012, thereby restoring electricity rates in the concession area of Eden S.A. These electricity rate schedules were resolved with the aim of covering the increase in prices of the resources necessary to provide the service (labor, supplies and services), which have recorded a significant increase in prices.

### **d. Fines of the Electric Power Control Authority of the Province of Buenos Aires ("OCEBA")**

EDEN has recorded a provision for OCEBA's penalties, applying the coefficients informed by the Provincial Energy Administration.

  
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por Comisión Fiscalizadora

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Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

The balance of the provision, which amounts to \$ 14.6 million and 10.33 million at December 31, 2012, and 2011 respectively has been disclosed in the Other liabilities account.

#### **e. Obligations and restrictions arising from the privatization**

In accordance with the Bidding terms and conditions, EDEN S.A. is required to comply, among others, with the following obligations:

- a) Not to transfer the class "A" shares without the prior approval of the Control Authority.
- b) To make the necessary investments and carry out the necessary maintenance works in order to guarantee service quality levels.
- c) To refrain from granting in favor of third parties any security interest on the assets used in the provision of the public service such as mortgages, pledges or any other lien, without prejudice to EDEN's right to freely dispose of those assets which in the future may become inadequate or unnecessary for such purpose. This prohibition does not apply in the case of security interests granted by the Holder of the concession over an asset at the time of its acquisition as collateral for the payment of the purchase price.
- d) To pay the inspection and control tax to be fixed by the Control Authority.

### **3. Basis of preparation**

This consolidated financial Statements have been prepared in accordance with and in compliance with IFRS as issued by the IASB.

As mentioned in Note 4.1 of Exhibit I presented together with the Financial Statements as at June 30, 2012, the Company's first IFRS financial statements to be prepared are those for the fiscal year ending December 31, 2012. As at December 31, 2011, the accounting standards applicable in Argentina and used in the preparation of the financial statements were the generally accepted accounting principles (Argentine GAAP).

In its financial statements as at December 31, 2011, the Company presented a note concerning the reconciliation between Argentine GAAP and IFRS of (1) the Company's total equity at the date of transition (January 1, 2011), (2) the final result of operations and cash flows for the year ended December 31, 2011 and (3) total equity at December 31, 2011, indicating the main valuation adjustments between the aforementioned sets of standards.

Nevertheless, the Company decided to present additional information including a detail of each of the accounts comprising the statement of financial position at December 31, 2011 and the income statement for the year then ended under IFRS. Said detailed information was solely presented for information purposes and to show how each equity and income statement account would have been disclosed under IFRS.

  
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Socio  
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# annual report 2012

ANNUAL REPORT ANNUAL REPORT ANNUAL REPORT

Additionally, on May 21, 2012, the Company presented its first Interim Financial Statements as at March 31, 2012 and for the three-month period then ended in accordance with International Accounting Standard (IAS) 34. As required, such Interim Financial Statements included an exhibit with the financial information for the last annual reporting period prepared in accordance with IFRS. That information included not only the valuation aspects previously presented as part of the reconciling information in the Financial Statements of December 2011 but also additional disclosures required under IFRS.

Due to the preparation of the financial statements as of December 31, 2012 and for the year then ended, and as part of a process aimed at aligning accounts and other operative issues with a view to the issuance of the first annual IFRS financial statements as at December 31, 2012, the Company has made certain changes in the classification of balances at December 31, 2011 previously presented.

The Consolidated Financial Statements are stated in thousands of Argentine pesos, unless specifically indicated otherwise.

These Consolidated Financial Statements were approved for issue by the Company's Board of Directors on March 8, 2013.



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#### 4. Accounting policies

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

##### 4.1 Adoption of International Financial Reporting Standards

###### 4.1.1 Application of IFRS 1

The National Securities Commission (CNV), through Resolutions Nos. 562/09 and 576/10, has established the application of Technical Resolution No. 26 of the Argentine Federation of Professional Councils in Economic Sciences (subsequently amended by Technical Resolution No. 29 of the Argentine Federation of Professional Councils in Economic Sciences), which adopts the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) (hereinafter referred to as "IFRS"), for those entities that make a public offering of their capital stock or corporate notes pursuant to Law No. 17,811, or have requested authorization for their being included in such public offering system.

The Company fully adopted the IFRS issued by the International Accounting Standards Board (IASB) as from the fiscal year commenced January 1, 2012. The adoption of these standards has caused changes in the Company's accounting policies, which have been recognized in the consolidated financial statements for the year ended December 31, 2012 and in those for interim periods. Furthermore, the presentation of the consolidated financial statements as at December 31, 2011 was adjusted for comparative purposes as a result of IFRS adoption. This recognition and the corresponding adjustments are presented in caption 4.1.2, in accordance with the reconciliation of equity at December 31, 2011 and January 1, 2011 (date of transition to IFRS) and the reconciliation of comprehensive income and cash flows at December 31, 2011.

The Shareholders' Meeting that considers the consolidated financial statements as at December 31, 2012 will have to make the decision that arises from the application of that mentioned in the preceding paragraphs.

  
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Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

**a. Mandatory exceptions provided under IFRS 1**

i. The Company has applied the following mandatory exceptions to the retrospective application of IFRS in the preparation of the reconciliations of shareholders' equity and results of operations included below.

> **Estimates**

Estimates at December 31 and January 1, 2011 under IFRS are consistent with those made under Argentine GAAP.

> **Classification and measurement of financial assets**

The classification and measurement of financial assets is made in accordance with IFRS 9, which was early adopted by the Company at January 1, 2011. This standard, which provides two categories for measurement purposes: amortized cost and fair value, has been applied by the Company in accordance with the facts and circumstances existing at the date of transition.

ii. The following mandatory exceptions provided by IFRS 1 have not been applied as they are not relevant for the Company:

- > Derecognition of financial assets and liabilities
- > Hedge accounting
- > Non-controlling interests
- > Derivative instruments

**b. Optional exemptions provided under IFRS 1**

Certain optional exemptions from retrospective application of IFRS are permitted under IFRS 1, having the Company applied the following:

> **Deemed cost**

The cost of property, plant and equipment, adjusted in accordance with Argentine GAAP, has been adopted as deemed cost at the date of transition to IFRS, considering that such cost is similar to amortized cost under IFRS.

  
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#### 4.1.2 Reconciliation of consolidated equity at December 31 and January 1, 2011 and of the Statement of Income at December 31, 2011

The following chart shows the reconciliation of the statement of changes in equity in accordance with Argentine GAAP and Equity in accordance with IFRS:

		<u>12.31.11</u>	<u>01.01.11</u>
<b>Equity under Argentine GAAP</b>		<b>1,314,518</b>	<b>1,749,915</b>
Loss related to defined benefit plans	(a)	(29,120)	(10,136)
Gain from purchase of companies	(b.i and ii)	434,959	-
Loss from valuation at realizable value of assets available for sale	(c)	(172,838)	-
Derecognition of transaction costs	(b.iv)	(4,269)	-
Derecognition of negative goodwill amortization	(b.iii)	(12,340)	-
Additional acquisition of non-controlling interests	(d)	3,452	-
IFRIC 12 application to service concession agreements	(e)	(12,165)	-
Deferred income tax	(f)	(97,379)	3,548
Non-controlling interests		6,567	-
<b>Edenor's equity under IFRS</b>		<b>1,431,385</b>	<b>1,743,327</b>
Non-controlling interests under IFRS		415,801	-
<b>Equity under IFRS</b>		<b>1,847,186</b>	<b>1,743,327</b>

The following chart shows the reconciliation of the statement of income in accordance with Argentine GAAP and of Comprehensive income in accordance with IFRS:

	<u>12.31.2011</u>
<b>Statement of income under Argentine GAAP</b>	<b>(435,397)</b>
Gain from purchase of companies(b.i and ii)	434,959
Loss from valuation at realizable value of assets available for sale(c)	(172,838)
Derecognition of transaction costs(b.iv)	(4,269)
Derecognition of negative goodwill amortization(b.iii)	(12,340)
IFRIC 12 application to service concession agreements(e)	(12,165)
Deferred income tax(f)	(107,571)
Non-controlling interests	18,240
<b>Edenor's loss for the year under IFRS</b>	<b>(291,381)</b>
Other comprehensive loss	(11,337)
Non-controlling interests related to other comprehensive income	(1,003)
<b>Comprehensive loss for the year under IFRS</b>	<b>(303,721)</b>

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**a. Benefit plans**

In accordance with Argentine GAAP, neither actuarial gains nor losses, nor past service costs pending amortization are recognized by the Company in the financial statements. In accordance with IFRS, and considering that the Company has early adopted the revised IAS 19, the actuarial gains and losses not recognized at the date of transition have been recognized by the Company in comprehensive income, whereas past service costs pending amortization at the date of transition have been recognized in retained earnings/accumulated deficit. The effect in equity is a decrease of \$ 29.12 million and \$ 10.14 million at December 31 and January 1, 2011, respectively. The effect in comprehensive income for the year ended December 31, 2011 is a loss of \$ 18.98 million.

**b. Gain from the purchase of companies**

**i) Purchase negotiation**

Refers to the gain recognized under IFRS, considering all the adjustments explained below, mainly by derecognizing the negative goodwill of acquired companies, plus some differences resulting from net assets acquired.

**ii) Differences in the accounting basis of purchases**

In accordance with Argentine GAAP, the excess of the fair value of the assets acquired and liabilities assumed in a business combination over the purchase price is recognized as negative goodwill and amortized in accordance with the straight-line method over a period equal to the weighted average of the remaining useful life of the assets identified in the acquired company that are subject to depreciation.

In accordance with IFRS, the Company has reassessed the purchase price allocation. In that connection, the following differences between Argentine GAAP and IFRS were identified:

<b>Fair value of net assets acquired – Argentine GAAP</b>		<b><u>1,276,236</u></b>
Differences from application of IFRIC 12	1)	(54,003)
Benefit plan liability	2)	(15,250)
Deferred income tax effect	3)	24,238
Derecognition of transaction costs	4)	<u>(4,269)</u>
<b>Fair value of net assets acquired – IFRS</b>		<b><u>1,226,952</u></b>

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## 1) Differences from application of IFRIC 12

In accordance with Argentine GAAP, the assets used in the framework of service concession agreements of the subsidiary EDEN (indirectly controlled company through AESEBA), whether received at the time of entering into the concession agreements or acquired by the companies during their term of duration, are classified as property, plant and equipment and are depreciated based on the useful life assigned to each specific asset, irrespective of the term of duration of the concession agreements.

In accordance with IFRS, the essential assets used in the framework of service concessions, whether received at the time of entering into the concession agreement or acquired by the companies during their term of duration, are classified as a single asset within intangible assets and are amortized on a straight-line basis throughout the estimated useful life of each of the underlying fixed assets that make up its value, without exceeding the term of the concession.

The assets that are not essential for the rendering of the distribution service are not included within the scope of IFRIC 12; therefore, those assets are carried at cost subsequently depreciated, and included within property, plant and equipment.

The effects of the recognition of IFRIC 12 in the Company's consolidated financial statements are as follow:

- > Reclassification of all the essential assets received by the Concession Agreement, and considered essential to the distribution service, into a separate intangible asset;
- > Construction contracts: in accordance with Argentine GAAP, construction of infrastructure funded with customer contributions is recognized as revenue at the time the funds are received. In accordance with IFRS, in particular under the scope of IFRIC 12, such construction must be recognized as revenue from construction deferred on the remaining useful life of the Concession Agreement, considering that the operator has an obligation with the customer for providing the distribution service. Such difference gave rise to a reconciling adjustment at the acquisition date of \$ 54 million, decreasing property, plant and equipment and retained earnings/accumulated deficit, and increasing the intangible asset under IFRIC 12 and deferred revenue.

## 2) Benefit plan liability

In accordance with Argentine GAAP, unrecognized actuarial losses are disclosed in a note to the financial statements.

In accordance with IFRS, cumulative unrecognized actuarial losses have been recognized at the date of transition (January 1, 2011) in retained earnings/accumulated deficit. Consequently, the Company assumed at the time of acquisition an additional liability relating to the subsidiaries' defined benefit plans. Such additional liability amounted to \$ 15.25 million.

  
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Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

**3) Deferred income tax effect**

Refers to the effect in the deferred income tax of all the previously mentioned adjustments.

**4) Transaction costs**

In accordance with Argentine GAAP, transaction costs are part of the consideration paid. The impact of such costs resulted in a decrease of negative goodwill.

**iii) Derecognition of negative goodwill amortization**

In accordance with Argentine GAAP, in those business combinations in which the acquisition cost was lower than the proportion of the fair value of the incorporated net assets and liabilities, the difference was recognized as negative goodwill and is systematically recognized in profit or loss over a period equal to the weighted average of the remaining useful life of the identifiable assets of the acquired company that are subject to depreciation.

For IFRS application purposes, negative goodwill is derecognized as its recognition is not permitted.

**iv) Derecognition of transaction costs**

In accordance with IFRS, such costs are not part of the consideration paid and are expensed as incurred.

The chart below summarizes the effect of the differences in the consideration paid:

<b>Consideration paid – Argentine GAAP</b>	<b><u>566,222</u></b>
Transaction costs	<u>(4,269)</u>
<b>Consideration paid – IFRS</b>	<b><u>561,953</u></b>

**c. Loss from valuation at fair value less costs to sell of assets available for sale**

Refers to the additional loss for the sale of subsidiaries as a result of the decrease in the fair value of the net assets acquired at the time of acquisition. Due to the fact that the fair value less costs to sell was similar under both standards (Argentine GAAP and IFRS), the difference arises from its base of valuation at the time of the acquisition.

In accordance with IFRS, assets held for sale are classified separately within current assets and current liabilities and are valued at the lower of carrying amount and fair value less costs to sell.

**d. Additional acquisition of non-controlling interests**

Refers to the additional acquisition of non-controlling interests in subsidiaries, which, in accordance with Argentine GAAP, was recorded discounting the negative goodwill by the difference between the fair value of non-controlling interests and the consideration paid. In accordance with IFRS, such difference was recorded as Additional paid-in capital.

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C.P.C.E.C.A.B.A. T° 245 - F° 61

**e. IFRIC 12 application to concession agreements**

EDEN constructs part of its pieces of equipment (essential for the rendering of the distribution service) based on customer contributions under Argentine GAAP such contributions are recorded as revenues upon the payment by the customers.

Under IFRS, the construction of infrastructure with customer contributions is recognized as deferred revenue over the estimated useful life of each of the underlying fixed assets that make up its value, without exceeding the term of the concession.

**f. Deferred income tax**

At December 31, 2011 and January 1, 2011, this reconciling item relates to the recognition, under IFRS, of the deferred tax effect of all the previously described adjustments.

**4.1.3 Reconciliation of the statement of cash flows for the year ended December 31, 2011**

	ARGENTINE GAAP (1)	ADJUSTMENTS ASSOCIATED WITH ASSETS AVAILABLE FOR SALE	EFFECTS OF TRANSITION TO IFRS (2)	IFRS
Net cash flows provided by operating activities	550.030	(633.056)	741.976	658.950
Net cash flows used in investing activities	(975.216)	563.991	(382.808)	(794.033)
Net cash flows used in financing activities	(119.016)	97.370	37.950	16.304
Financial results in cash and cash equivalents	-	-	3.281	3.281
Cash and cash equivalents at beginning of year	676.843	-	(430.836)	246.007
Cash and cash equivalents at end of year	132.641		(2.132)	130.509
Net decrease in cash and cash equivalents	<b>(544.202)</b>	<b>28.305</b>	<b>425.423</b>	<b>(118.779)</b>
Cash and cash equivalents included in assets available for sale	-	28.305	-	28.305
Cash and cash equivalents at end of year	<b>132.641</b>	<b>28.305</b>	<b>(2.132)</b>	<b>158.814</b>

(1) Refers to the amounts included in the consolidated financial statements as at December 31, 2011 approved by the Board of Directors with certain reclassifications for IFRS disclosure purposes.

(2) Refers to debt instruments that are not considered as cash and cash equivalents under IFRS.

**4.2 Changes in the accounting policy under IFRS**

(a) *New standards, amendments and interpretations mandatory for financial years beginning January 1, 2012 and adopted by the Company*

There have been no new standards, amendments or interpretations whose application is mandatory for financial years beginning January 1, 2012 that could have a material impact on the Group.

  
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C.P.C.E.C.A.B.A. T° 245 - F° 61



IFRS 9 requires that all financial assets within the scope of IAS 39 “Financial instruments – Recognition and measurement” be subsequently measured at amortized cost or fair value. Therefore, the investments in debt instruments that are maintained within a business model whose objective is to collect the contractual future cash flows, and these cash flows are solely payments of principal and interest on principal, are measured at amortized cost at year-end. The other investments in debt or equity instruments are measured at fair value at year-end.

The most significant effect of IFRS 9 concerning the classification and measurement of financial liabilities refers to the accounting for changes in the fair value of financial liabilities (designated as financial liabilities at fair value through profit or loss) as a consequence of changes in the credit risk of such liabilities. Therefore, the amount of change in the fair value of financial liabilities as a consequence of changes in the credit risk of that debt is recognized in other comprehensive income, unless such recognition would create an accounting mismatch.

IFRS 10 was issued in May 2011 and determines a single control model for the consolidation of entities of the same economic group, irrespective of the nature of the investee. This control model includes three elements:

- i. power over the investee;
- ii. exposure or rights to variable returns from its involvement with the investee;
- iii. ability to use the power mentioned in i) to affect the investor’s returns.

IFRS 10 replaces the portion of IAS 27 that addresses the manner and opportunity at which the investor must prepare his consolidated financial statements, and fully replaces SIC-12 “Consolidation of special purpose entities”.

IFRS 11 was issued in May 2011. This standard is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint venture has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

IFRS 12 was issued in May 2011 and applies to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. The standard establishes the minimum disclosure objectives that are to be presented to comply with such objectives so as to help users of the financial statements evaluate the nature of and the risks associated with interests in other entities.

*(c) New standards, amendments and interpretations not effective and not early adopted by the Company*

Neither the Company nor its controlled companies have early adopted the IFRS or revised IFRS detailed below:

- IFRS 13 “Fair value measurement”: applicable to financial years beginning on or after January 1, 2013.

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por Comisión Fiscalizadora

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

IFRS 13 was issued in May 2011 and determines a single framework for fair value measurements when fair value is required by other standards. This IFRS applies to financial and non-financial elements measured at fair value, where fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Board of Directors has estimated that IFRS 13 will be adopted in the Company's financial statements for the annual period beginning January 1, 2013. Although it is not possible to reasonably determine the impact of the potential effect of the aforementioned standard until a detail analysis is made, it is probable that the changes will not significantly affect the information disclosed in the Group's financial statements.

There are no other standards or interpretations that are not effective in respect of which a significant effect on the Company is expected.

#### 4.3 Consolidation

##### a. Subsidiaries

The consolidated financial statements include the Company's financial statements as well as those of its subsidiaries. Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

##### b. Business combinations

Business acquisitions are accounted for by applying the acquisition method. Consideration for the acquisition is measured at fair value, calculating at the acquisition date the aggregate of the fair value of the assets transferred, the liabilities incurred or assumed and the equity instruments issued and delivered by the Company in exchange for control of the business acquired.

The costs associated with the acquisition are expensed when incurred. The identifiable assets acquired and liabilities assumed in the business combination are recognized at their acquisition-date fair value.

The value of goodwill represents the excess amount of the aggregate of the consideration for the acquisition, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the acquiree over the net amount of the identifiable assets acquired and the liabilities assumed, at the acquisition date.

If as a result of the assessment, the net amount of the identifiable assets acquired and the liabilities assumed exceeds the aggregate of the consideration for the acquisition, the amount of any non-controlling

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PRICE WATERHOUSE & CO S.R.L.

  
DANIEL ABELOVICH  
por Comisión Fiscalizadora

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

interests in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the acquiree, such excess amount is immediately recognized in profit or loss as a bargain purchase.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognise any adjustments to those provisional values as a result of completing the initial accounting:

- a) within twelve months of the acquisition date; and
- b) from the acquisition date.

#### **c. Changes in ownership interest in subsidiaries that do not result in a loss of control**

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions. The difference between the fair value of the consideration paid for the shares acquired and the recorded value of the subsidiary's net assets is recorded in equity.

#### **d. Disposal of subsidiaries**

When the Company ceases to have control in a subsidiary, any retained investment is measured at fair value at the date that control is lost, recognizing the change in the recorded value in the statement of comprehensive income. The fair value is the cost on initial recognition of the investment held, being recorded as an associate, joint venture or financial asset, as applicable.

#### **e. Interests in joint ventures**

The Company has early adopted the application of IFRS 11 as from January 1, 2011, the main concepts of which are as follow:

- i. A joint arrangement takes place among two or more parties when they have joint control: joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
- ii. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Such parties are called joint ventures.
- iii. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. These parties are called joint operators.

The Company accounts for its investment in joint ventures in accordance with the equity method. Under this method, the interest is initially recognized at cost and subsequently adjusted by recognizing the Company's share in the profit or loss obtained by the joint venture, after acquisition date. The Company

  
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por Comisión Fiscalizadora

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PRICE WATERHOUSE & CO S.R.L.

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61



**b. Revenue from construction**

The construction of the infrastructure necessary for the subsidiary EDEN S.A. to distribute electricity is considered a service rendered to the concession authority and the corresponding revenue is reflected at cost within the sales account.

Different asset construction agreements have been instrumented where the buyer only has limited influence in the design of the construction. In IFRIC 12 application framework, IAS 18 is applied to recognize revenue from such construction agreements. In accordance with this standard, revenue from the transfer of infrastructure must be recognized at the time of the exchange of the assets, in which the risks and rewards are transferred to the buyer. Therefore, unfinished works are included within the Assets under Construction account. EDEN does not recognize a margin for the type of constructions, except in the case of construction works with customer contributions.

**c. Interest income**

Interest income is recognized by applying the effective interest rate method. Interest income is recorded in the accounting on a time basis by reference to the principal amount outstanding and the applicable effective rate.

Interest income is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the transaction can be measured reliably.

**4.5 Segment information**

Operating segments reporting is consistent with the internal reports revised by the Executive Committee, which is the maximum authority for making decisions concerning operating issues. The Executive Committee is responsible for assigning resources and assessing the performance of the entity's operating segments, and has been identified as the body which carries out the Company's strategic decisions

**4.6 Assets and liabilities of disposal groups classified as held for sale**

The subsidiaries' assets and liabilities that have been made available for sale are classified as Assets available for sale and Associated liabilities when the carrying amount will be mainly recovered through a sale transaction, and this transaction is regarded as highly probable.

These assets are valued at the lower of the carrying amount and fair value less costs to sell.

The amounts recognized in profit or loss corresponding to discontinued operations have been included in a single line item of the Company's consolidated statement of comprehensive loss called "Discontinued operations".

**4.7 Effects of the changes in foreign currency exchange rates****a. Functional and presentation currency**

The information included in the financial statements of each of the entities comprising the group is measured using the latter's functional currency, which is the currency of the main economic environment



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por Comisión Fiscalizadora

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PRICE WATERHOUSE & CO S.R.L.



Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

in which the entity operates. The consolidated financial statements are presented in pesos (legal currency in Argentina for all the companies domiciled therein), which is also the presentation currency of the group.

#### **b. Transactions and balances**

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

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

#### **c. The group's companies**

None of the companies comprising the group has a functional currency different from the Argentine peso. Accordingly, no foreign currency translation effects exist.

#### **4.8 Property, plant and equipment**

The total value of property, plant and equipment transferred by SEGBA on September 1, 1992 was allocated to individual assets accounts on the basis of engineering studies conducted by the Company.

The value of property, plant and equipment was determined based on the price effectively paid by EASA for the acquisition of 51% of the Company's capital stock.

SEGBA neither prepared separate financial statements nor maintained financial information or records with respect to its distribution operations or the operations in which the assets transferred to EDENOR were used. Accordingly, it was not possible to determine the historical cost of transferred assets.

Additions subsequent to such date have been valued at acquisition cost, net of the related accumulated depreciation. Depreciation has been calculated by applying the straight-line method over the remaining useful life of the assets, which was determined on the basis of the above-mentioned engineering studies. Furthermore, in order to improve the disclosure of the account, the Company has made certain changes in the classification of property, plant and equipment based on each technical process.

In accordance with the provisions of IAS 23, borrowing costs in relation to any given asset are to be capitalized when such asset is in the process of production, construction, assembly or completion, and such processes, due to their nature, take long periods of time; those processes are not interrupted; the period of production, construction, assembly or completion does not exceed the technically required period; the necessary activities to put the asset in condition to be used or sold are not substantially complete; and the asset is not in condition so as to be used in the production or start up of other assets, depending on the purpose pursued with its production, construction, assembly or completion.

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DANIEL ABELOVICH  
por Comisión Fiscalizadora

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

Subsequent costs (major maintenance and reconstruction costs) are either included in the value of the assets or recognized as a separate asset, only if it is probable that the future benefits associated with the assets will flow to the Company, being it possible as well that the costs of the assets may be measured reliably and the investment will improve the condition of the asset beyond its original state. The other maintenance and repair expenses are recognized in profit or loss in the year in which they are incurred.

### Impairment test

The Company analyzes the recoverability of its non-current assets on a periodical basis or when events or changes in circumstances indicate that the recoverable amount of assets, which is measured as the value in use at the end of the year, may be impaired. When the carrying amount of an asset is greater than its estimated recoverable amount, the asset's carrying amount is immediately reduced up to its recoverable amount.

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

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

The future increase in electricity rates used by the Company to assess the recoverability of its long-lived assets as at December 31, 2012 is based on the rights to which the Company is entitled, as stipulated in the Concession Agreement and the agreements described in Note 2. Furthermore, the actions taken to maintain and guarantee the provision of the public service, the presentations made before regulatory authorities, the status quo of the discussions that are being held with government representatives, the announcements made by government officials concerning possible changes in the sector's revenues to restore the economic and financial equation, and certain measures recently adopted, such as the new charge described in Note 2.c.V, have also been considered. In light of the aforementioned, the Company's Management estimates that it is reasonable to expect that new increases in revenues will be obtained as from 2013.

In spite of the current economic and financial situation described in Note 1, the Company has made its projections under the assumption that the electricity rates will be improved according to the circumstances. However, the Company may not ensure that the future performance of the variables used to make its projections will be in line with what it has estimated. Therefore, significant differences may arise in relation to the estimates used and assessments made at the date of preparation of these consolidated financial statements.

In order to contemplate the estimation risk contained in the projections of the aforementioned variables, the Company has considered three different probability-weighted scenarios. Although in all of them an acceptable agreement with the Government resulting in gradual tariff increases is assumed, the Company has considered different timing and magnitude of expected DAV increases. The three scenarios can be classified into pessimistic, optimistic and intermediate depending on the opportunity of the application

  
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por Comisión Fiscalizadora

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PRICE WATERHOUSE & CO S.R.L.

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61



- > the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them and at what price; and
- > the grantor controls through the ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the term of the arrangement.

If the above-mentioned conditions are simultaneously met, an intangible asset is recognized to the extent that the operator receives a right to charge users of the public service, provided, however, that these rights are contingent on the degree of use of the service.

These intangible assets are initially recognized at cost, which is regarded as the fair value of the consideration delivered, plus other direct costs directly attributable to the operation. Concessions have a finite useful life and are subsequently measured at cost less accumulated amortization, which is determined by applying the straight-line method the estimated useful life of each asset, without exceeding the term of the concession.

The Company has applied the intangible asset method established in IFRIC 12 for EDEN's concession agreement. No financial asset has been recognized in relation to the concession agreements due to the fact that the agreements signed do not stipulate minimum guaranteed payments.

The guidelines of IFRIC 12 do not apply to Edenor's concession agreement. The Company considers that in substance the grantors do not have the characteristic features of control over infrastructures as defined in IFRIC 12.

#### 4.10 Impairment of non-financial asset

Assets that have an indefinite useful life, such as goodwill, are not subject to amortization and are tested annually for impairment.

Assets subject to depreciation are reviewed for impairment losses whenever an event or change in circumstances indicates that the carrying amount may not be recovered. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment losses, assets are grouped at the lowest level at which independent cash flows can be identified (cash generating units).

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

#### 4.11 Financial assets

The Company has early adopted IFRS 9.

##### 4.11.1 Classification

The Company classifies financial assets into the following categories: those measured at amortized cost

  
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por Comisión Fiscalizadora

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PRICE WATERHOUSE & CO S.R.L.

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

and those subsequently measured at fair value. This classification depends on whether the financial asset is an investment in a debt or an equity instrument. In order for a financial asset to be measured at amortized cost, the two conditions described below must be met. All other financial assets are measured at fair value. IFRS 9 requires that all investments in equity instruments be measured at fair value.

**a. Financial assets at amortized cost**

Financial assets are measured at amortized cost if the following conditions are met:

- i. the objective of the Company's business model is to hold the assets to collect the contractual cash flows; and
- ii. the contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal.

**b. Financial assets at fair value**

If any of the above-detailed conditions is not met, financial assets are measured at fair value through profit or loss.

All investments in equity and public instruments are measured at fair value. For those investments that are not held for trading, the Company may irrevocably elect at the time of their initial recognition to present the changes in the fair value in other comprehensive income. The Company's decision was to recognize the changes in fair value in profit or loss.

**4.11.2 Recognition and measurement**

The regular purchase or sale of financial assets is recognized on the trade date, i.e. the date on which the Company agrees to acquire or sell the asset. Financial assets are derecognized when the rights to receive the cash flows from the investments have expired or been transferred and the Company has transferred substantially all the risks and rewards of the ownership of the assets.

Financial assets are initially recognized at their fair value plus, in the case of financial assets not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition thereof.

The gains or losses generated by investments in debt instruments that are subsequently measured at fair value are recognized in financial income or financial loss. Those generated by investments in debt instruments that are subsequently measured at amortized cost are recognized in financial income or financial loss when the financial asset is derecognized or impaired and by means of the amortization process using the effective interest rate method.

The Company subsequently measures all the investments in equity instruments at fair value. When it elects to present the changes in fair value in other comprehensive income, such changes cannot be reclassified to profit or loss. Dividends arising from these investments are recognized in profit or loss to the extent that they represent a return on the investment.

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C.P.C.E.C.A.B.A. T° 245 - F° 61

The Company reclassifies financial assets if and only if its business model to manage financial assets is changed.

#### 4.11.3 Impairment of financial assets

At the end of each reporting period, the Company assesses whether there is objective evidence that the value of a financial asset or group of financial assets measured at amortized cost is impaired. The value of a financial asset or group of financial assets is impaired, and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event"), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Impairment tests may include evidence that the debtors or group of debtors are undergoing significant financial difficulties, have defaulted on interest or principal payments or made them after they had come due, the probability that they will enter bankruptcy or other financial reorganization, and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in payment terms or in the economic conditions that correlate with defaults.

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the impairment loss is recognized in the consolidated statement of income.

#### 4.11.4 Offsetting of financial instruments

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position, when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

#### 4.12 Derivative financial instruments

Derivatives are initially recognized at fair value on the date on which the derivative contract is signed. Subsequently to the initial recognition, they are remeasured at their fair value. The method for recognizing the resulting loss or gain depends on whether the derivative has been designated as a hedging instrument and, if that is the case, on the nature of the item being hedged. The Company has not designated any derivative as a hedging instrument, therefore, at December 31, 2012 and 2011 the economic impact of these transactions resulted in a loss that has been recorded in the Financial expenses account of the consolidated statement of comprehensive income.

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

Furthermore, the changes in the fair value of these financial instruments -Corporate Notes Swap- have been recorded by the Company in the Changes in the Fair Value of Financial Instruments line item, in other financial results.

The changes in the fair value of these financial instruments forward and futures contracts- have been

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por Comisión Fiscalizadora

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61



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

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

The Company has recorded an allowance for doubtful accounts to adjust the valuation of trade receivables up to their estimated recoverable amount. Depending on the receivables portfolio, the allowance is recorded based on an individual recoverability analysis (accounts receivable in litigation) or on the historical series of collections for services billed through the end of each period and collections subsequent thereto.

#### **b. Other receivables**

Other receivables are initially recognized at fair value (generally the original billing/settlement amount) and subsequently measured at amortized cost, using the effective interest rate method, and when significant, adjusted by the time value of the money. The Company records impairment allowances when there is objective evidence that the Company will not be able to collect all the amounts owed to it in accordance with the original terms of the receivables.

#### **4.16 Cash and cash equivalents**

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less from their acquisition date.

- > Cash and banks in local currency: at nominal value.
- > Cash and banks in foreign currency: at the exchange rates in effect at the end of each year.
- > Time deposits, which include the portion of interest income accrued through the end of each year.
- > Money market funds, which have been valued at the prevailing market price at the end of each year.

#### **4.17 Trade payables and other liabilities**

##### **a. Trade payables**

Trade payables are payment obligations with suppliers for the purchase of goods and services in the ordinary course of business. Trade payables are classified as current liabilities if payments fall due within one year or in a shorter period of time. Otherwise, they are classified as non-current liabilities.

Trade payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

##### **b. Customer deposits**

Customer deposits are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

  
DANIEL ABELOVICH  
por Comisión Fiscalizadora

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PRICE WATERHOUSE & CO S.R.L.

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

In accordance with the Concession Agreement, the Company is allowed to receive customer deposits in the following cases:

- i. When the power supply is requested and the user is unable to provide evidence of his legal ownership of the premises;
- ii. When service has been suspended more than once in one-year period;
- iii. When the power supply is reconnected and the Company is able to verify the illegal use of the service (fraud).
- iv. When the customer is undergoing liquidated bankruptcy or reorganization proceedings.

The Company has decided not to request customer deposits from residential tariff customers.

Customer deposits may be either paid in cash or through the customer's bill and accrue monthly interest at a specific rate of Banco de la Nación Argentina for each customer.

When the conditions for which the Company is allowed to receive customer deposits no longer exist, the principal amount plus any interest accrued thereon are credited to the customer's account after deducting, if appropriate, any amounts receivable which the Company may have with the customer.

#### **c. Customer contributions**

Subject to reimbursement:

The Company receives assets or facilities (or the cash necessary to acquire or built them) from certain customers for services to be provided, based on individual agreements and the provisions of ENRE Resolution No. 215/2012. These contributions are initially recognized as trade payables at fair value with a contra-account in Property, plant and equipment, and subsequently measured at amortized cost using the effective interest rate method.

#### **d. Other liabilities**

Other liabilities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

The recorded liabilities represent, mainly, PUREE obligations and penalties issued by the ENRE, which the Company's Management estimates will be paid in the future.

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

The balances regarding PUREE represent the best estimation of the necessary cash flow to set off the present obligation

  
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por Comisión Fiscalizadora

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PRICE WATERHOUSE & CO S.R.L.

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

#### 4.18 Deferred revenue

*Edenor - Not subject to reimbursement:*

The Company receives assets or facilities (or the cash necessary to acquire or built them) from certain customers for services to be provided, based on individual agreements. In accordance with IFRS, the assets received are recognized by the Company as Property, plant and equipment with a contra-account in deferred revenue, the accrual of which depends on the nature of the identifiable services, in accordance with the following:

- > Customer connection to the network: revenue is accrued until the completion of such connection;
- > Continuous provision of the electric power supply service: throughout the useful life of the asset or the term for the provision of the service, whichever the lower.

#### *EDEN*

Upon completion, the construction works carried out by EDEN S.A. within the framework of IFRIC 12, that are financed with customer funds and/or an amount added to the electricity rate and/or PUREE, are recognized as intangible assets and amortized over the useful life of each of them. The reward for having received a construction work to be operated is recognized within the Deferred revenue account. This deferred revenue is accrued in the same manner as the intangible asset is amortized.

#### 4.19 Borrowings

Borrowings are initially recognized at fair value, net of direct costs incurred in the transaction. Subsequently, they are measured at amortized cost; any difference between the funds obtained (net of direct costs incurred in the transaction) and the amount to be paid at maturity is recognized in profit or loss during the term of the borrowings using the effective interest rate method.

The commissions paid to obtain lines of credit are recognized as direct costs incurred in the transaction provided that it is probable that either part or all of the line of credit will be used. In this case, the recognition of commissions in profit or loss is deferred until such funds are used.

#### 4.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are those assets that take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of such assets until such time as they are in condition to be used or sold.

All other borrowing costs are recognized as an expense in the period in which they are incurred.

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

  
DANIEL ABELOVICH  
por Comisión Fiscalizadora

Véase nuestro informe de fecha 8/3/2013  
PRICE WATERHOUSE & CO S.R.L.

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

**a. Current and deferred income tax**

The tax expense for the year is comprised of the current tax and the deferred tax. Income tax is recognized in profit or loss, except to the extent that the tax relates to items recognized in other comprehensive income or directly in equity, in which case, the income tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted at the date of these financial statements. Management periodically evaluates the positions taken in tax returns with respect to situations in which the applicable tax regulation is subject to interpretation and, if necessary, records provisions on the basis of the amount expected to be paid to the tax authorities.

The deferred tax is recognized, in accordance with the liability method, on the temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated statement of financial position. However, no deferred tax liability is recognized if such difference arises from the initial recognition of goodwill, or from the initial recognition of an asset or liability other than in a business combination, which at the time of the transaction affected neither the accounting nor the taxable profit.

The deferred tax is determined using the tax rate in effect at the date of the financial statements and is expected to apply when the deferred tax assets are realized or the deferred tax liabilities are settled.

A deferred tax is recognized on the temporary differences arising from investments in subsidiaries and associates, except for deferred tax liabilities where the Company is able to control the timing of the reversal of the temporary difference and it is probable that the reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are offset if the Company has a legally enforceable right to offset recognized amounts and when deferred tax assets and liabilities relate to income tax levied by the same tax authority on the same taxable entity or different taxable entities that intend to settle tax assets and liabilities on a net basis. Current and deferred tax assets and liabilities have not been discounted.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

**b. Tax on minimum presumed income**

The Company determines the tax on minimum presumed income by applying the current rate of 1% on the Company's taxable assets at year-end. The tax on minimum presumed income and the income tax complement each other. The Company's tax obligation for each year will be equal to the higher of these taxes. However, should the tax on minimum presumed income exceed income tax in any given fiscal year, such excess may be computed as a payment on account of any excess of income tax over the tax on minimum presumed income that may arise in any of the ten subsequent fiscal years.

Minimum presumed income tax assets and liabilities have not been discounted.

Véase nuestro informe de fecha 8/3/2013  
PRICE WATERHOUSE & CO S.R.L.

  
DANIEL ABELOVICH  
por Comisión Fiscalizadora

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

The Company has recognized the minimum presumed income tax accrued in the year and paid in previous years as a receivable, as it estimates that in future fiscal years it may be computed as a payment on account of the income tax.

#### 4.22 Employee benefits

##### Benefit plans

The Company operates various benefit plans. Usually, benefit plans establish the amount of the benefit the employee will receive at the time of retirement, generally based on one or more factors such as age, years of service and salary.

The liability recognized in the consolidated statement of financial position in respect of benefit plans is the present value of the benefit plan obligation at the closing date of the year, together with the adjustments for actuarial losses. The benefit plan obligation is calculated annually by independent actuaries in accordance with the projected unit credit method. The present value of the benefit obligation is determined by discounting the estimated future cash outflows using the interest rate of high quality corporate bonds denominated in the same currency in which the benefits will be paid and whose maturity terms are similar to those of the corresponding obligations.

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

- a. Past service costs are immediately recognized in profit or loss.
- b. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income in the period in which they arise.

At December 31, 2012, 2011 and January 1, 2011, the Company does not have any assets related to the employee benefits plan.

#### 4.23 Provisions and contingencies

Provisions have been recognized in those cases in which the Company is faced with a present obligation, whether legal or constructive, that has arisen as a result of a past event, whose settlement is expected to result in an outflow of resources, and the amount thereof can be estimated reliably.

The amount recognized as provisions was the best estimate of the expenditure required to settle the present obligation, at the end of the reporting period, taking into account the corresponding risks and uncertainties. When a provision is measured using the estimated cash flow to settle the present obligation, the carrying amount represents the present value of such cash flow. This present value is obtained by applying a pre-tax discount rate that reflects market conditions, the time value of money and the specific risks of the obligation.

The provisions included in liabilities have been recorded to face contingent situations that could result in future payment obligations. To estimate the amount of provisions and the likelihood of an outflow of resources, the opinion of the Company legal advisors has been taken into account.

  
DANIEL ABELOVICH  
por Comisión Fiscalizadora

Véase nuestro informe de fecha 8/3/2013  
PRICE WATERHOUSE & CO S.R.L.

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

#### 4.24 Leases

Those leases in which a significant portion of the risks and rewards deriving from ownership are kept by the lessor are classified as operating leases. At present, the Company only has lease agreements that are classified as operating leases.

##### a. As lessee

Operating lease payments are recognized as operating expenses in the Statement of Income on a straight-line basis throughout the term of the lease.

##### b. As lessor

Those leases in which the Company does not transfer substantially all the risks and rewards inherent to the ownership of the asset are classified as operating leases.

Operating lease collections are recognized as income in the consolidated statement of comprehensive loss on a straight-line basis throughout the term of the lease.

#### 4.25 Balances with related parties

Receivables and liabilities with related parties are initially recognized at fair value and subsequently measured at amortized cost in accordance with the terms agreed upon by the parties involved.

#### 4.26 Equity

Changes in this account have been accounted for in accordance with the corresponding legal or statutory regulations and the decisions adopted by the shareholders' meetings.

##### a. Share capital

Share capital represents issued capital, which is comprised of the contributions committed and/or made by the shareholders, represented by shares, including outstanding shares at nominal value.

##### b. Adjustment to capital

In accordance with Argentine GAAP and the requirements of control authorities, this subject reflects the effects of inflation over the "Share Capital", when it was required, which remains at nominal value.

##### c. Treasury stock

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

  
DANIEL ABELOVICH  
por Comisión Fiscalizadora

Véase nuestro informe de fecha 8/3/2013  
PRICE WATERHOUSE & CO S.R.L.

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

**d. Adjustment to treasury stock**

In accordance with Argentine GAAP and the requirements of control authorities, this subject reflects the effects of inflation over the "Treasury Stock", when it was required, which remains at nominal value.

**e. Additional paid-in capital**

Refers to the share premium of the outstanding share capital and to the acquisition of additional non-controlling interests in subsidiaries generated by the difference between the fair value of non-controlling interests and the consideration paid.

**f. Legal reserve**

In accordance with the provisions of the Argentine Business Organizations Law No. 19,550, not less than five percent (5%) of the profits arising from the statement of income for the year must be allocated to the legal reserve, until it equals twenty percent (20%) of share capital.

**g. Retained earnings**

Retained earnings are comprised of profits or accumulated losses with no specific appropriation. When positive, they may be distributed, if so decided by the Shareholders' Meeting, to the extent that they are not subject to legal restrictions. Retained earnings are comprised of previous year results that have not been distributed, amounts transferred from other comprehensive income and prior year adjustments due to the application of accounting standards.

In the case of accumulated losses to be absorbed at the end of the year, the following appropriation order must be followed by the Shareholders' Meeting when considering such absorption:

- i. Legal reserve
- ii. Additional paid-in capital, merger premiums and treasury stock negotiation premiums, if exists
- iii. Adjustment to Treasury Stock
- iv. Treasury Stock
- v. Adjustment to capital
- vi. Share capital

**h. Distribution of dividends**

The distribution of dividends to the Company's shareholders is recognized as a liability in the consolidated financial statements for the year in which dividend distribution is approved by the Shareholders' Meeting. Additionally, the ENRE's approval is necessary for the distribution of dividends by the Company.

**5. Financial risk management****5.1 Financial risk factors**

The Company's activities and the market in which it operates expose it to a series of financial risks:

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PRICE WATERHOUSE & CO S.R.L.

  
DANIEL ABELOVICH  
por Comisión Fiscalizadora

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

market risk (including currency risk, cash flows interest rate risk, fair value interest rate risk and price risk), credit risk and liquidity risk.

The management of the financial risk is part of the Company's overall policies, which focus on the unpredictability of the financial markets and seek to minimize potential adverse effects on its financial performance. Financial risks are the risks derived from the financial instruments to which the Company is exposed during or at the end of each year. The Company uses derivative instruments to hedge exposure to certain economic risks whenever it deems appropriate in accordance with its internal risk management policy. The Company does not apply hedge accounting.

Risk management is controlled by the Finance and Control Department, which identifies, evaluates and hedges financial risks. Risk management policies and systems are periodically reviewed so that they reflect the changes in the market's conditions and the Company's activities.

This section includes a description of the main risks and uncertainties that could have a material adverse effect on the Company's strategy, performance, results of operations and financial position.

#### **a. Market risks**

##### **i. Currency risk**

Currency risk is the risk of fluctuation in the fair value or future cash flows of a financial instrument due to changes in foreign currency exchange rates. The Company's exposure to currency risk relates to the collection of its revenue in pesos, in conformity with regulated electricity rates that are not indexed in relation to the US dollar, whereas a significant portion of its existing financial liabilities is denominated in US dollars. Therefore, the Company is exposed to the risk of a loss resulting from a devaluation of the peso. The Company partially hedges its currency risk by entering into currency forwards. Nevertheless, it continues to experience a considerable exposure to the US dollar. Furthermore, the Company has carried out transactions with derivative financial instruments with the aim of hedging the exchange rate of the cash flows it will have to pay in the next interest payment dates of its corporate notes. Although it may also enter into other hedging contracts to hedge all or part of its remaining exposure, the Company has not been able to hedge all its exposure to the US dollar under such terms as it may consider viable. If the Company continues to be unable to effectively hedge all or a significant part of its exposure to currency risk, any devaluation of the peso could significantly increase its debt service burden, which, in turn, could have a substantial adverse effect on its financial and cash position (including its ability to repay its Corporate Notes) and the results of its operations. The exchange rate used at December 31, 2012 is \$ 4.918 per US dollar, at December 31, 2011 is \$ 4.306 per US dollar and January 1, 2011 is \$ 3.976 per US dollar.

The table below shows the Company's exposure to currency risk resulting from the financial assets and liabilities denominated in a currency other than the Company's functional currency.

  
DANIEL ABELOVICH  
por Comisión Fiscalizadora

Véase nuestro informe de fecha 8/3/2013  
PRICE WATERHOUSE & CO S.R.L.

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

	12.31.12	31.12.11	01.01.11
<b>Net position Assets/(Liabilities)</b>			
US dollar	(1,382,015)	(1,187,779)	(502,730)
Euro	(607)	(70)	(780)
Norwegian krone	(61)	(701)	-
Swiss franc	(1,145)	-	(653)
<b>Total</b>	<b>(1,383,828)</b>	<b>(1,188,550)</b>	<b>(504,163)</b>

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

	12.31.12	31.12.11	01.01.11
<b>Net position Assets/(Liabilities)</b>			
US dollar	(138.202)	(118.778)	(50.273)
Euro	(61)	(7)	(78)
Norwegian krone	(6)	(70)	-
Swiss franc	(114)	-	(65)
<b>Decrease in the results of operations for the year</b>	<b>(138.383)</b>	<b>(118.855)</b>	<b>(50.416)</b>

## ii. Price risk

The Company's investments in equity instruments with or without quotation are susceptible to market price risk arising from the uncertainties concerning the future value of these instruments. Due to the low significance of the investments in equity instruments in relation to the net Asset/Liability position, the Company is not significantly exposed to the referred to instruments price risk.

Furthermore, the Company is not exposed to the commodities price risk.

## iii. Interest rate risk

Interest rate risk is the risk of fluctuation in the fair value or cash flows of an instrument due to changes in market interest rates. The Company's exposure to interest rate risk arises mainly from its long-term debt obligations.

Indebtedness at floating rates exposes the Company to interest rate risk on its cash flows. Indebtedness at fixed rates exposes the Company to interest rate risk on the fair value of its liabilities. At December 31, 2012, 2011 and January 1, 2011 approximately 96.76 %, 96,65 % and 95,67 % of the loans, respectively, were obtained at fixed interest rates. The remaining loans were agreed at floating interest rates, and were denominated in pesos. The Company's policy is to keep the higher percentage of its indebtedness in instruments that accrue interest at fixed rates.

The Company analyzes its exposure to interest rate risk in a dynamic manner. Several scenarios are

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PRICE WATERHOUSE & CO S.R.L.

  
DANIEL ABELOVICH  
por Comisión Fiscalizadora

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

simulated taking into account the positions with respect to refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on profit or loss of a specific change in interest rates. In each simulation, the same interest rate fluctuation is used for all the currencies. Scenarios are only simulated for liabilities that represent the most relevant interest-bearing positions.

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

	12.31.12	12.31.11	01.01.11
<b>Fixed rate:</b>			
Argentine peso	25.179	8.132	-
US dollar	1.381.549	1.198.934	1.035.113
Subtotal loans at fixed rates	1.406.728	1.207.066	1.035.113
<b>Floating rate:</b>			
Argentine peso	47.115	41.841	42.037
US dollar	-	-	4.818
Subtotal loans at floating rates	47.115	41.841	46.855
<b>Total loans</b>	<b>1.453.843</b>	<b>1.248.907</b>	<b>1.081.968</b>

Based on the simulations performed, with all the other variables remaining constant, a 10% increase in floating interest rates would give rise to the following decrease in the results of operations for the year:

  
 DANIEL ABELOVICH  
 por Comisión Fiscalizadora

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 PRICE WATERHOUSE & CO S.R.L.

  
 Socio  
 C.P.C.E.C.A.B.A. T° 245 - F° 61

	12.31.12	12.31.11
<b>Floating rate:</b>		
Argentine peso	391	583
<b>Decrease in the results of operations for the year</b>	<b>391</b>	<b>583</b>

#### b. Credit risk

Credit risk is the risk of a financial loss as a consequence of counterparty's failure to comply with the obligations assumed in a financial instrument or commercial contract. The Company's exposure to credit risk results from its operating and financial activities, including deposits in financial entities and other instruments. With regard to Banks and Financial Entities, the Finance Department evaluates the customers' credit quality, financial and cash position and independent credit risk ratings. Individual credit limits are then established in accordance with the limits set by the Company CEO on the basis of the internal or external ratings approved by the Finance and Control Department.

At the end of each reporting period, the Company analyzes whether the recording of an impairment is necessary. At December 31, 2012, 2011 and January 1, 2011, delinquent accounts receivable totaled approximately \$ 134.22 million, \$ 98.59 million and \$ 71.90 million, respectively. At December 31, 2012 and 2011, the financial statements included allowances for \$ 63.27 million, \$ 57.62 million and \$ 29.26 million, respectively. The inability to collect the other revenue and the non-regulated revenue in the future could have an adverse effect on the Company's results of operations and its financial position, which, in turn, could have an adverse effect on the Company's ability to repay loans, including payment of the Corporate Notes.

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

In accordance with its policy, the Company places its cash and cash equivalents, investments and other financial instruments with various highly-rated financial entities, thus mitigating the amount of exposure to credit risk. The Group manages its exposure to credit risk by reducing its individual deposits to clearly defined limits.

The Group has not experienced any significant loss in those accounts. The maximum exposure to credit risk is represented by the book value of cash and cash equivalents and short-term investments in the Statement of financial position.

The Company's exposure to credit risk arising from cash and cash equivalents is established in Note 17.

#### 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

Véase nuestro informe de fecha 8/3/2013  
PRICE WATERHOUSE & CO S.R.L.

  
DANIEL ABELOVICH  
por Comisión Fiscalizadora

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

plans, compliance with covenants, with internal balance sheet financial ratios objectives and, if applicable, with external regulations and legal requirements, such as, restrictions on the use of foreign currency.

Cash surpluses held by the operating entities and the balances in excess of the amounts required to manage working capital are invested in Money Market Funds and/or time deposits that accrue interest, currency deposits and securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient margin as determined in the aforementioned projections. At December 31, 2012, 2011 and January 1, 2011, the Company's current investments amount to \$ 3.42 million, \$ 2.13 million and \$ 430.84, respectively, which are expected to generate immediate cash inflows to manage the liquidity risk.

The table below includes an analysis of the Company's non-derivative financial assets and liabilities and net-settled derivative financial instruments, which have been classified into maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 3 months	From 3 months to 1 year	From 1 to 2 years	From 2 to 5 years	More than 5 years	Total
<b>At January 1, 2011</b>						
Trade payables and other liabilities	344,110	38,937	25,551	25,433	-	434,031
Borrowings	8,427	137,157	139,444	344,190	1,848,701	2,477,919
Derivative financial instruments	7,253	-	-	-	-	7,253
<b>Total</b>	<b>359,790</b>	<b>176,094</b>	<b>164,995</b>	<b>369,623</b>	<b>1,848,701</b>	<b>2,919,203</b>
<b>At December 31, 2011</b>						
Trade payables and other liabilities	601,730	86,714	27,172	27,172	-	742,788
Borrowings	8,028	140,537	132,181	359,059	1,881,523	2,521,327
<b>Total</b>	<b>609,758</b>	<b>227,251</b>	<b>159,353</b>	<b>386,231</b>	<b>1,881,523</b>	<b>3,264,115</b>
<b>At December 31, 2012</b>						
Trade payables and other liabilities	1,284,255	23,436	29,795	29,795	-	1,367,281
Borrowings	6,405	142,907	142,124	532,051	1,891,407	2,714,894
<b>Total</b>	<b>1,290,660</b>	<b>166,343</b>	<b>171,919</b>	<b>561,846</b>	<b>1,891,407</b>	<b>4,082,175</b>

As described in Note 1, should the conditions existing at the date of these consolidated financial statements continue, the Board of Directors believes that cash flows and operating results for the next year, and financial ratios, will be negatively impacted. Furthermore, in that note it is also stated that, given the fact that the realization of the projected measures to revert the negative trend manifested in the

Véase nuestro informe de fecha 8/3/2013  
PRICE WATERHOUSE & CO S.R.L.

  
DANIEL ABELOVICH  
por Comisión Fiscalizadora

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

current fiscal year depends, among other factors, on the occurrence of certain events that are not under the Company's control, such as the requested electricity rate increases, the Board of Directors has raised substantial doubt about the ability of the Company to continue as a going concern.

## 5.2 Management of derivative financial instruments

The Company has carried out transactions with derivative financial instruments with the aim of using them as economic instruments in order to mitigate the risk generated by the fluctuations in the US dollar rate of exchange.

### a. Corporate Notes – Cash flows SWAP

In November 2010, the Company carried out a transaction with a derivative financial instrument with JP Morgan Chase Bank NA with the aim of hedging the foreign currency exchange rate of the cash flows and derivatives of interest payment transactions.

This instrument provides an economic and financial hedge of the amounts in foreign currency that the Company must pay on the interest payment dates of its financial debt, arising from the Class 9 Fixed Rate Corporate Notes for up to USD 230.301, million, falling due on April 25, 2011, October 25, 2011, April 25, 2012 and October 25, 2012, in the event of fluctuations in foreign currency exchange rates.

Additionally, in April 2011, the Company carried out a transaction with a derivative financial instrument with Deutsche Bank S.A. with the aim of hedging the foreign currency exchange rate of the cash flows and derivatives of interest payment transactions arising from the new issue of Class 9 fixed rate corporate notes for up to USD 69.699 million (Note 19), payable on October 25, 2011, April 25, 2012 and October 25, 2012.

At December 31, 2012, the economic impact of these transactions resulted in a loss of \$ 2.21 million, which has been recorded in the Financial expenses account of the Consolidated Statement of Comprehensive Loss.

  
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por Comisión Fiscalizadora

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Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61



**c. Resolution N° 1906 – Secretariat Labor**

By Resolution ST No. 1906 dated November 27, 2012, published in the Official Gazette on December 7, 2012, the Secretariat of Labor, under the authority of the Ministry of Labor, Employment and Social Security, established that as from January 1, 2013 the Company, as well as other companies of the Electric Power Sector, will be required to pay to those employees who are represented by the Sindicato de Luz y Fuerza de Capital Federal (Electric Light and Power Labor Union of the City of Buenos Aires) an amount of \$2,410 that will be regarded as a salary item. This amount will set-off and absorb, as from January 1, 2013, the amount (included in the salary but not subject to social security charges nor considered for the payment of the mid and year-end bonus) of \$ 2,000 which the Company paid during 2012 to its employees. Without prejudice thereto, the aforementioned Resolution established, on a one-time and exceptional basis, that such amount (included in the salary but not subject to social security charges nor considered for the payment of the mid and year-end bonus), be considered for the payment of the year-end bonus and the additional 2012 BAE concept.

In light of the Company's economic and financial situation and the projections for the year 2013, the Company's Board of Directors, in the meeting held on December 11, 2012, unanimously resolved to challenge Resolution No. 1906 of the Secretariat of Labor, and, without prejudice thereto, to request that the ENRE authorize recognition of such higher costs in the Company's distribution rate in accordance with the provisions of sections 46 and 42 of Law 24,065, which expressly authorize rate adjustments in order for the electricity rate to reflect any change in the concession holder's costs which is not under the control of the holder of the concession. Such request was officially made on December 28, 2012, and on January 24, 2013, the Regulatory Authority, through Note ENRE 106836, notified Edenor that the request had been rejected without prejudice to the treatment that will be finally given to the request to modify the electricity rate schedule. Such note was contested by Edenor on February 7, 2013.

**5.4 Capital risk management**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Company monitors its capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total liabilities (current and non-current) less cash and cash equivalents. Total capital is calculated as equity attributable to the owners as shown in the consolidated statement of financial position plus net debt.

At December 31, 2012, 2011 and January 1, 2011, gearing ratios were as follow:

	<b>12.31.12</b>	<b>12.31.11</b>	<b>01.01.11</b>
<b>Total liabilities</b>	<b>6,312,152</b>	<b>5,164,407</b>	<b>3,183,957</b>
Less: cash and cash equivalents	(71,108)	(130,509)	(246,007)
Net debt	6,241,044	5,033,898	2,937,950
Total capital attributable to owners	6,659,225	6,465,283	4,681,277
<b>Gearing ratio</b>	<b>93.72%</b>	<b>77.86%</b>	<b>62.76%</b>

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por Comisión Fiscalizadora

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

**5.5 Fair value estimate**

The Company classifies the measurements of financial instruments at fair value using a fair value hierarchy that reflects the relevance of the variables used to carry out such measurements. The fair value hierarchy has the following levels:

- > **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- > **Level 2:** inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from the prices).
- > **Level 3:** inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below shows the Company's financial assets and liabilities measured at fair value at December 31, 2012, 2011 and January 1, 2011:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>LEVEL 4</u>
<b>At January 1, 2011</b>				
<b>Assets and liabilities</b>				
Cash and cash equivalents				
- Money market funds	219,873	-	-	219,873
Financial assets at fair value through profit or loss:				
Government bonds	315,267	-	-	315,267
Corporate notes	115,569			115,569
Derivative financial instruments	-	(7,253)	-	(7,253)
<b>Total assets and liabilities at January 1, 2011</b>	<b>650,709</b>	<b>(7,253)</b>	<b>-</b>	<b>643,456</b>
<b>At December 31, 2011</b>				
<b>Assets and liabilities</b>				
Derivative financial instruments	-	,316		1,316
Cash and cash equivalents				
- Money market funds	58,903	-	-	58,903
Financial assets at fair value through profit or loss:				
Government bonds	2,132	-	-	2,132
<b>Total assets and liabilities at December 31, 2011</b>	<b>61,035</b>	<b>1,316</b>	<b>-</b>	<b>62,351</b>
<b>At December 31, 2012</b>				

  
 DANIEL ABELOVICH  
 por Comisión Fiscalizadora

Véase nuestro informe de fecha 8/3/2013  
 PRICE WATERHOUSE & CO S.R.L.

  
 Socio  
 C.P.C.E.C.A.B.A. T° 245 - F° 61

	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 4
<b>Assets and liabilities</b>				
Cash and cash equivalents				
- Money market funds	50,954	-	-	50,954
Financial assets at fair value through profit or loss:				
Government bonds	3,415	-	-	3,415
<b>Total assets and liabilities at December 31, 2012</b>	<b>54,369</b>	<b>-</b>	<b>-</b>	<b>54,369</b>

The value of financial instruments traded in active markets is based on the quoted market prices at the date of the consolidated statement of financial position. A market is regarded as active if quoted prices are regularly available from a stock exchange, dealer/broker, industry group, or regulatory agency, and those prices represent current and regularly occurring market transactions between parties on an arm's length transaction. The quoted market price used for the financial assets held by the Company is the current offer price. These instruments are included in level 1. The instruments included in level 1 comprise mainly money market funds, government bonds and corporate notes.

The fair value of financial instruments not traded in active markets is determined by using valuation techniques. These valuation techniques make maximum use of observable market inputs if available and rely as little as possible on the Company's specific estimates. If all the significant variables to determine the fair value of a financial instrument are observable, the instrument is included in level 2.

If one or more variables used to determine the fair value are not observable in the market, the financial instrument is included in level 3.

## 6. Critical accounting estimates and judgments

Critical accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events, which the Company Management deems to be reasonable under the circumstances.

The preparation of the financial statements requires the Company to make estimates and assessments concerning the future. Future actual results may differ from the estimates used and assessments made at the date of preparation of these consolidated financial statements. The estimates that have a significant risk of causing adjustments to the carrying amounts of assets and liabilities within the next fiscal year are detailed below:

### a. Allowances for the impairment of receivables

The Company is exposed to impairment losses of receivables. Management estimates the final collectability of accounts receivable.

The allowance for the impairment of accounts receivable is evaluated based on the historical level of collections for services billed through the end of each year and collections subsequent thereto.

Véase nuestro informe de fecha 8/3/2013  
PRICE WATERHOUSE & CO S.R.L.

  
DANIEL ABELOVICH  
por Comisión Fiscalizadora

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61



can be classified into base, intermediate and pessimistic cash flows depending on the opportunity of the application and magnitude of the expected CMM. The Company has assigned for these scenarios the following percentages of probability of occurrence based primarily on the experience with past delays in the tariff renegotiation process: optimistic scenario: 30%, intermediate scenario: 50%, and pessimistic scenario: 20%.

Based on that which has been mentioned above, the Company determined that the valuation of property, plant and equipment does not exceed their recoverable amount at December 31, 2012.

#### **d. Current and deferred income tax/ Tax on minimum presumed income**

In order to determine the income tax provision, it is necessary to make estimates inasmuch as the Company will have to evaluate, on an ongoing basis, the positions taken in tax returns in respect of those situations in which the applicable tax legislation is subject to interpretation. Whenever necessary, the Company is required to make provisions based on the amount expected to be paid to the tax authorities.

When the final taxable result differs from the amounts initially recognized in the provision as a consequence of estimates, such differences will affect both income tax and the determination of deferred tax assets and liabilities.

Were the final taxable result to differ by 10% from estimates made, the Company would need to:

- > Increase the net deferred tax liability by \$ 11.41 million, if the difference were unfavorable; or
- > Decrease the net deferred tax liability by \$ 11.41 million, if the difference were favorable.

A significant degree of judgment is required to determine the income tax provision. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for eventual tax claims based on estimates of whether additional taxes will be due in the future. When the final tax outcome of these matters differs from the amounts initially recognized, such differences will impact on current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets are reviewed at each reporting date and reduced in accordance with the low probability that the sufficient taxable base will be available to allow for the total or partial recovery of these assets. Deferred tax assets and liabilities are not discounted. In assessing the realization of deferred tax assets, management considers that it is likely that a portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets depends on the generation of future taxable income in the periods in which these temporary differences become deductible. To make this assessment, Management takes into consideration the scheduled reversal of deferred tax liabilities, the projections of future taxable income and tax planning strategies.

#### **e. Going concern**

These consolidated financial statements have been prepared in accordance with the accounting principles applicable to a going concern, assuming that the Company will continue to operate normally. Therefore,

  
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por Comisión Fiscalizadora

Véase nuestro informe de fecha 8/3/2013  
PRICE WATERHOUSE & CO S.R.L.

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

they do not include the effects of the adjustments or reclassifications, if there were any, that might be necessary to make if the situation described in Note 1 is not resolved.

#### **f. Benefit plans**

The liability recognized by the Company is the best estimate of the present value of the cash flows representing the benefit plan obligation at the closing date of the year together with the adjustments for actuarial losses. Cash flows are discounted using the interest rate of high-quality corporate bonds denominated in the same currency in which the benefits will be paid. Such estimate is based on actuarial calculations made by independent professionals in accordance with the projected unit credit method.

#### **g. ENRE Penalties and Discounts- PUREE**

We consider our accounting policy for the recognition of ENRE Penalties and Discounts critical because it depends on the penalizable events which are valued on the basis of management best estimate, at the date of these financial statements, of the expenditure required to settle the present obligation. The balances corresponding to ENRE Penalties and Discounts are adjusted in accordance with the regulatory framework applicable thereto.

The balances corresponding to the Program for the Rational Use of Electric Power (PUREE) are the best estimate, at the date of these financial statements, of the expenditure required to settle the present obligation.

#### **h. Allocation of the purchase price in business combinations**

The Company accounts for business combinations by applying the acquisition method, which requires that identifiable assets acquired and liabilities assumed be recorded at their respective fair value at acquisition date. The determination of the fair values of identifiable assets acquired and liabilities assumed requires Management to make estimates and use valuation techniques, including the use of independent appraisers, when the market value is not easily available. The excess of the acquisition cost over the fair value of the net identifiable assets acquired is allocated to goodwill.

The valuation assumptions underlying each of these valuation methods are based on the current available information, including discount rates, estimated cash flows, market risk rates and other.

The purchase price allocation is subject to changes during the twelve-month period subsequent to the acquisition date, with the adjustments reflected prospectively. At present, there are no balances related to purchase accounting subject to change. We consider our accounting policy for the valuation of acquisitions critical because the judgments made to determine the estimated fair value and expected useful lives assigned to each class of assets and liabilities acquired may impact the value of the asset or liability, including the impact on deferred taxes, the respective amortization periods and ultimately net income (loss). Therefore, the use of other valuation methods, as well as other assumptions underlying these valuation methods, could impact the determination of our financial position and results of operations.

If the fair value of the net identifiable assets acquired is higher than their acquisition cost, Management must reassessed whether all acquired assets and all liabilities assumed have been properly identified

Véase nuestro informe de fecha 8/3/2013  
PRICE WATERHOUSE & CO S.R.L.

  
DANIEL ABELOVICH  
por Comisión Fiscalizadora

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

before recognizing a bargain purchase in order to ensure that the measurements properly reflect the consideration of all the available information as from acquisition date.

Once the Company is certain that measurements are appropriate, the resulting gain must be recognized in the acquisition date. The gain is attributed to the acquiring entity.

#### **i. Assets available for sale**

As a consequence of that mentioned in Note 1, and with the aim of mitigating unfavorable financial and economic aspects, the Company considered the disposition of certain subsidiaries. In this context, it has decided to sell certain subsidiaries with the consequent loss of control. In accordance with IFRS, when the following criteria are met (even if the entity retains a non-controlling interest in its former subsidiary after the sale), the Company will classify all the associated assets and liabilities as available for sale:

- i. Its carrying amount will be recovered mainly through a sale transaction, rather than by its continued use.
- ii. It must be available, in its current conditions, for immediate sale, subject exclusively to the usual terms for the sale of this subsidiary.
- iii. Its sale must be highly probable, for which purpose Management must be committed to a plan to sell, and an active programme to locate a buyer and complete such plan must have been initiated. Moreover, the sale of the subsidiary must be actively negotiated at a sales price reasonable in relation to its present fair value. Furthermore, it must be expected that the sale will comply with the conditions to be recognized as a completed sale within a year of classification as held for sale (unless the delay is caused by events or circumstances that are not under the entity's control, and sufficient evidence exists that the entity is still committed to its plan to sell the subsidiary), and the actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn.

The assets and liabilities associated to those subsidiaries that the Company intends to sell, which comply with the aforementioned conditions, were reclassified in a single line item within current assets and current liabilities, denominated "Assets of disposal groups classified as held for sale" and "Liabilities of disposal groups classified as held for sale", respectively. In addition, these assets and liabilities have been valued at the lower of carrying amount or fair value less costs to sell, recognizing a loss when the first value is higher than the second.

Measurement on fair value less costs to sell implies assumptions that are determined based on current available information, such as offers if any and market conditions.

#### **j. Contingencies and provisions for lawsuits**

The Company is a party to several complaints, lawsuits and other legal proceedings, including customer claims, in which a third party is seeking payment for alleged damages, reimbursement for losses or compensation. The Company's potential liability with respect to such claims, lawsuits and legal proceedings may not be accurately estimated. Management, with the assistance of its legal advisors

  
DANIEL ABELOVICH  
por Comisión Fiscalizadora

Véase nuestro informe de fecha 8/3/2013  
PRICE WATERHOUSE & CO S.R.L.

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

(attorneys), periodically analyzes the status of each significant lawsuit and evaluates the Company's potential financial exposure. If the loss deriving from a complaint or legal proceeding is considered probable and the amount can be reasonably estimated, a provision is recorded.

Provisions for contingent losses represent a reasonable estimate of the losses that will be incurred, based on the information available to Management at the date of the financial statements preparation, taking into account the Company's litigation and settlement strategies. These estimates are mainly made with the help of legal advisors. However, if the Management's estimates proved wrong, the current provisions could be inadequate and result in a charge to profits that could have a material adverse effect on the statements of financial position, comprehensive income, changes in equity and cash flows.

**7. Interests in subsidiaries and joint ventures**

*a) Information on subsidiaries*

The data showing the Company's consolidated controlling interest at December 31, 2012 are as follow:

Directly controlled companies	Percentage interest held in capital stock and possible votes	Controlled/ Indirectly and jointly controlled companies	Percentage interest held in capital stock and possible votes	Non-controlling percentage interest in capital stock and possible votes
	12.31.12		12.31.12	
AESEBA	99.99	Empresa Distribuidora de Energía Norte S.A. (EDEN S.A.)	90.00	10.00

  
 DANIEL ABELOVICH  
 por Comisión Fiscalizadora

Véase nuestro informe de fecha 8/3/2013  
 PRICE WATERHOUSE & CO S.R.L.

  
 Socio  
 C.P.C.E.C.A.B.A. T° 245 - F° 61

The subsidiaries' accounting policies have been changed, if applicable, in order to ensure consistency with the policies adopted by the Company.

The investment in AESEBA has been incorporated on a line-by-line basis in accordance with the general consolidation method established by IFRS 10.

*b) Summarized financial information on subsidiaries with significant non-controlling interest*

EDEN S.A.

*i. Condensed statements of financial position*

	<b>12.31.12</b>	<b>12.31.11</b>
Non-current assets	880,267	828,922
Current assets	329,713	246,438
<b>Total assets</b>	<b>1,209,979</b>	<b>1,075,360</b>
Non-current liabilities	186,601	138,596
Current liabilities	550,398	423,601
<b>Total liabilities</b>	<b>736,999</b>	<b>562,197</b>
Equity	472,980	513,163
Equity attributable to the owners	472,980	513,163
Cash paid dividends to non-controlling interests	-	1,950

*ii. Condensed statement of comprehensive income*

	<b>12.31.12</b>	<b>12.31.11</b>
Revenue from sales / construction	857,873	591,147
Operating costs	(787,054)	(490,475)
Net financial expense	(22,584)	(21,904)
Income tax	(16,247)	(30,387)
Income for the year	31,988	48,381
Other comprehensive income	(2,103)	(2,286)
<b>Comprehensive gain for the year</b>	<b>29,885</b>	<b>46,095</b>

Véase nuestro informe de fecha 8/3/2013  
PRICE WATERHOUSE & CO S.R.L.

  
DANIEL ABELOVICH  
por Comisión Fiscalizadora

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

iii. Condensed statement of Cash Flows

	<u>12.31.12</u>	<u>12.31.11</u>
Net cash flows provided by operating activities	93,033	91,759
Net cash flows used in investing activities	(93,675)	(57,718)
Net cash flows provided by financing activities	(48,885)	(113,102)
<b>Net increase in cash and cash equivalents</b>	<b><u>(49,527)</u></b>	<b><u>(79,061)</u></b>
Cash and cash equivalents at beginning of year	31,908	111,693
Cash and cash equivalents at the end of year	(17,619)	32,632
<b>Decrease of cash and cash equivalent</b>	<b><u>49,527</u></b>	<b><u>79,061</u></b>

iv. Interest in joint ventures

	Percentage interest held in capital stock and possible votes	Equity attributable to the owners		
		12.31.12	12.31.11	01.01.11
SACME	50.00%	422	419	415

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PRICE WATERHOUSE & CO S.R.L.

  
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por Comisión Fiscalizadora

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

## 8. Segment information

The Company's business activities focus primarily on the distribution and sale of electricity carried out by Edenor S.A. or its subsidiaries. Based on the geographical distribution of its customers, the Company has identified the following operating segments:

**AESEBA:** Through its subsidiary, it renders electric power distribution and sale services in the northern and northwestern areas of the Province of Buenos Aires.

**EMDERSA:** Through its subsidiaries, it renders electric power distribution and sale services in the Provinces of San Luis, La Rioja and Salta.

**EDENOR:** It has the exclusive right to render electric power distribution and sales services to all users connected to the electricity distribution network within the concession area, which is comprised of the following: In the Federal Capital: the area encompassing Dock "D", unnamed street, path of the future Autopista Costera (coastline highway), extension of Pueyrredón Ave., Pueyrredón Ave., Córdoba Ave., Ferrocarril San Martín railway tracks, General San Martín Ave., Zamudio, Tinogasta, General San Martín Ave., General Paz Ave. and Río de La Plata river. In the Province of Buenos Aires the area includes the following districts: Belén de Escobar, General Las Heras, General Rodríguez, former General Sarmiento (which at present comprises San Miguel, Malvinas Argentinas and José C. Paz), La Matanza, Marcos Paz, Merlo, Moreno, former Morón (which at present comprises Morón, Hurlingham and Ituzaingó), Pilar, San Fernando, San Isidro, San Martín, Tigre, Tres de Febrero and Vicente López.

The information on each operating segment identified by the Company for the year ended December 31, 2011 and 2012 is as follow:

  
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PRICE WATERHOUSE & CO S.R.L.

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

**Edenor S.A.**  
**Notes to the Consolidated Financial Statements**  
**as at December 31, 2012, 2011 and January 1, 2011**

<b>At December 31, 2011</b>	<b>Emdersa</b>	<b>Aeseba</b>
Revenue from sales	764,276	503,772
Revenue from construction	-	87,374
Electric power purchases	(264,511)	(194,568)
Cost of construction	-	(87,374)
<b>Sub total</b>	<b>499,765</b>	<b>309,204</b>
Transmission and distribution expenses (1)	(168,652)	(131,288)
<b>Gross profit</b>	<b>331,113</b>	<b>177,916</b>
Selling expenses (1)	(97,313)	(49,916)
Administrative expenses (1)	(99,122)	(29,111)
Other operating income	2,768	8,680
Other operating expense	(5,314)	(5,596)
Gain from acquisition of companies	-	-
Gain from interest in joint ventures	924	-
Impairment of assets available for sale	-	-
<b>Operating profit (loss)</b>	<b>133,056</b>	<b>101,973</b>
Financial income	118	3,919
Financial expenses and other financial results (1)	(73,598)	(26,488)
<b>Net financial expense</b>	<b>(73,480)</b>	<b>(22,569)</b>
<b>Profit (Loss) before taxes</b>	<b>59,576</b>	<b>79,404</b>
Income tax	(17,455)	(30,387)
Profit (Loss) from continuing operations	42,121	49,017
Loss from discontinued operations	-	-
Profit (Loss) for the year	42,121	49,017
Non-controlling interests	(6,851)	(5,478)
<b>Profit (Loss) for the year attributable to the owners of the parent</b>	<b>35,270</b>	<b>43,539</b>

Edenor	Eliminations	Asper segment information	Discontinued operations	Asper consolidated statement of comprehensive loss
2,302,045	-	3,570,093	(764,276)	2,805,817
-	-	87,374	-	87,374
(1,130,890)	-	(1,589,969)	264,511	(1,325,458)
-	-	(87,374)	-	(87,374)
<b>1,171,155</b>	-	<b>1,980,124</b>	<b>(499,765)</b>	<b>1,480,359</b>
(970,501)	-	(1,270,441)	175,616	(1,094,825)
<b>200,654</b>	-	<b>709,683</b>	<b>(324,149)</b>	<b>385,534</b>
(261,948)	-	(409,177)	98,865	(310,312)
(196,602)	-	(324,835)	100,519	(224,316)
22,499	(3,278)	30,669	(2,768)	27,901
(52,562)	3,278	(60,194)	5,314	(54,880)
434,959	-	434,959	-	434,959
48,935	(48,931)	928	(924)	4
(218,340)	(29,527)	(247,867)	247,867	-
<b>(22,405)</b>	<b>(78,458)</b>	<b>134,166</b>	<b>124,724</b>	<b>258,890</b>
85,847	(24,285)	65,599	(10,031)	55,568
(285,322)	24,281	(361,127)	47,790	(313,337)
<b>(199,475)</b>	<b>(4)</b>	<b>(295,528)</b>	<b>37,759</b>	<b>(257,769)</b>
<b>(221,880)</b>	<b>(78,462)</b>	<b>(161,362)</b>	<b>162,483</b>	<b>1,121</b>
(82,177)	-	(130,019)	(22,952)	(152,971)
(304,057)	(78,462)	(291,381)	139,531	(151,850)
-	-	-	(139,531)	(139,531)
(304,057)	(78,462)	(291,381)	-	(291,381)
-	(347)	(12,676)	-	(12,676)
<b>(304,057)</b>	<b>(78,809)</b>	<b>(304,057)</b>	-	<b>(304,057)</b>

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DANIEL ABELOVICH  
por Comisión Fiscalizadora

  
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C.P.C.E.C.A.B.A. T° 245 - F° 61

**Edenor S.A.**  
**Notes to the Consolidated Financial Statements**  
**as at December 31, 2012, 2011 and January 1, 2011**

<b>Note 1</b>	<b>Emdersa</b>	<b>Aeseba</b>
Depreciation of property, plant and equipment	(44,327)	(3,101)
Amortization of intangible assets	-	(20,093)
Financial expenses - Interest	(60,853)	(16,210)

<b>Note 1</b>	<b>Edenor</b>
Assets	5,585,499
Assets of disposal groups classified as held for sale	-
Liabilities	4,154,114
Liabilities of disposal groups classified as held for sale	-
Non-controlling interests	-
Equity	1,431,385

<b>Edenor</b>	<b>Eliminations</b>	<b>As per segment information</b>	<b>Discontinued operations</b>	<b>As per consolidated statement of comprehensive loss</b>
(184,792)	-	(232,220)	44,327	(187,893)
-	-	(20,093)	-	(20,093)
(148,925)	36,058	(189,930)	25,334	(164,596)

<b>Aeseba</b>	<b>Discontinued operations</b>	<b>Eliminations</b>	<b>As per consolidated statement of financial position</b>
1,092,461	-	(957,445)	5,720,515
-	1,291,078	-	1,291,078
571,427	-	(103,339)	4,622,202
-	709,076	(166,871)	542,205
50,302	365,471	28	415,801
470,732	-	(470,732)	1,431,385

  
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 por Comisión Fiscalizadora

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**Edenor S.A.**  
**Notes to the Consolidated Financial Statements**  
**as at December 31, 2012, 2011 and January 1, 2011**

<b>At December 31, 2012</b>	<b>Emdersa</b>	<b>Emdersa H.</b>	<b>Aeseba</b>
Revenue from sales	426,317	-	749,852
Revenue from construction	-	-	117,615
Electric power purchases	(201,037)	-	(321,989)
Cost of construction	-	-	(117,615)
<b>Subtotal</b>	<b>225,280</b>	<b>-</b>	<b>427,863</b>
Transmission and distribution expenses (1)	(175,438)	-	(225,956)
<b>Gross profit</b>	<b>49,842</b>	<b>-</b>	<b>201,907</b>
Selling expenses (1)	(57,607)	-	(78,429)
Administrative expenses (1)	(47,130)	(195)	(47,159)
Other operating income	52,259	-	1,683
Other operating expense	(636)	64	(9,660)
Gain from acquisition of companies	-	-	-
Gain from interest in joint ventures	-	-	-
Impairment of assets available for sale	(15,748)	-	-
<b>Operating profit (loss)</b>	<b>(19,020)</b>	<b>(131)</b>	<b>68,342</b>
Financial income	5,296	4,384	5,130
Financial expenses (1)	(42,713)	-	(26,178)
Other financial results	(5,008)	(2,723)	1,484
<b>Net financial expense</b>	<b>(42,425)</b>	<b>1,661</b>	<b>(19,564)</b>
<b>Profit (Loss) before taxes</b>	<b>(61,445)</b>	<b>1,530</b>	<b>48,778</b>
Income tax	39,078	-	(16,938)
Profit (Loss) from continuing operations	-	1,530	31,840
Loss from discontinued operations	(22,367)	-	-
<b>Profit (Loss) for the year</b>	<b>(22,367)</b>	<b>1,530</b>	<b>31,840</b>
Non-controlling interests	6,518	-	(3,050)
<b>Profit (Loss) for the year attributable to the owners of the parent</b>	<b>(15,849)</b>	<b>1,530</b>	<b>28,790</b>

Edenor	Eliminations	As per segment information	Discontinued operations	As per consolidated statement of comprehensive loss
2,977,146	(1,742)	4,151,573	(426,317)	3,725,256
-	-	117,615	-	117,615
(1,740,231)	-	(2,263,257)	201,037	(2,062,220)
-	-	(117,615)	-	(117,615)
<b>1,236,915</b>	<b>(1,742)</b>	<b>1,888,316</b>	<b>(225,280)</b>	<b>1,663,036</b>
(1,344,730)	614	(1,745,510)	175,438	(1,570,072)
<b>(107,815)</b>	<b>(1,128)</b>	<b>142,806</b>	<b>(49,842)</b>	<b>92,964</b>
(352,938)	964	(488,010)	57,607	(430,403)
(249,201)	151	(343,534)	47,130	(296,404)
32,351	(698)	85,595	(52,259)	33,336
(103,125)	(66)	(113,423)	636	(112,787)
-	-	-	-	-
30,321	(30,318)	3	-	3
-	-	(15,748)	15,748	-
<b>(750,407)</b>	<b>(31,095)</b>	<b>(732,311)</b>	<b>19,020</b>	<b>(713,291)</b>
83,173	(6,678)	91,305	(5,296)	86,009
(277,350)	6,680	(339,561)	42,713	(296,848)
(166,236)	777	(171,706)	5,008	(166,698)
<b>(360,413)</b>	<b>779</b>	<b>(419,962)</b>	<b>42,425</b>	<b>(377,537)</b>
<b>(1,110,820)</b>	<b>(30,316)</b>	<b>(1,152,273)</b>	<b>61,445</b>	<b>(1,090,828)</b>
116,717	-	138,857	(39,078)	99,779
(994,103)	(30,316)	(1,013,416)	-	(991,049)
(22,367)	-	(44,734)	22,367	(22,367)
<b>(1,016,470)</b>	<b>(30,316)</b>	<b>(1,058,150)</b>	<b>22,367</b>	<b>(1,013,416)</b>
-	(4)	3,464	(6,518)	(3,054)
<b>(1,016,470)</b>	<b>(30,320)</b>	<b>(1,054,686)</b>	<b>15,849</b>	<b>(1,016,470)</b>

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**Edenor S.A.**  
**Notes to the Consolidated Financial Statements**  
**as at December 31, 2012, 2011 and January 1, 2011**

<b>Note (1)</b>	<b>Edelar</b>	<b>Emdersa H.</b>	<b>Aeseba</b>
Depreciation of property, plant and equipment	(43,659)	(43,659)	-
Amortization of intangible assets	(2,130)	(2,130)	-
Financial expenses - Interest	(18,891)	(18,891)	-

At December 31, 2011, the Company decided to discontinue EMDERSA operating segment.

<b>Statement of Financial Position at 12.31.2012</b>	<b>Emdersa H.</b>
Assets	19
Assets of disposal groups classified as held for sale	41,518
Liabilities	16
Liabilities of disposal groups classified as held for sale	-
Non-controlling interests	-
Equity	41,521

<b>Edenor</b>	<b>Eliminations</b>	<b>As per segment information</b>	<b>Discontinued operations</b>	<b>As per consolidated statement of comprehensive loss</b>
(5,317)	(192,554)	(285,189)	43,659	(241,530)
(24,891)	-	(29,151)	2,130	(27,021)
(14,103)	(229,753)	(281,638)	18,891	(262,747)

<b>Aeseba</b>	<b>Edenor</b>	<b>Eliminations</b>	<b>As per consolidated statement of financial position</b>
1,229,242	5,903,295	(554,514)	6,578,042
-	-	181,880	223,398
709,474	5,485,114	(39,719)	6,154,885
-	-	157,267	157,267
47,299	-	23,808	71,107
472,469	418,181	(513,990)	418,181

  
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- e) That the resolutions as well as any act performed by a governmental authority that modify contractual renegotiations be declared null and unconstitutional.
- f) That the resolutions that extend the management periods contemplated in the Concession Agreement be declared null and unconstitutional.
- h) Subsidiarily, should the main claim be rejected, that the defendants be ordered to bill all customers on a bimonthly basis.

**Amount:** undetermined

**Procedural stage of the proceedings:** The Company answered the complaint rejecting all its terms and requesting that a summons be served upon CAMMESA as a third-party defendant. The Court hearing the case approved the request and CAMMESA answered the service of notice in due time and manner. The Federal Government has answered the complaint filed against it within the term granted for such purpose.

**Conclusion:** no provision has been recorded for these claims in these financial statements as the Company's management, based on both that which has been previously mentioned and the opinion of its legal advisors, believes that there exist solid arguments to support its position.

#### **Legal action brought by Consumidores Financieros Asociación civil para su defensa**

##### **Purpose:**

- 1) Reimbursement of the VAT percentage paid on the illegally "widened" taxable basis due to the incorporation of a concept (National Fund of Electricity - FNEE) on which no VAT had been paid by the defendants when CAMMESA (the company in charge of the regulation and operation of the wholesale electricity market) invoiced them the electricity purchased for distribution purposes.
- 2) Reimbursement of part of the administrative surcharge on "second due date", in those cases in which payment was made within the time period authorized for such second deadline (14 days) but without distinguishing the effective day of payment.
- 3) Application of the "borrowing rate" in case of customer delay in complying with payment obligation, in accordance with the provisions of Law No. 26,361.

**Amount:** undetermined

**Procedural stage of the proceedings:** On 04/22/10, the Company answered the complaint and filed a motion to dismiss for lack of standing ("excepción de falta de legitimación"), requesting, at such opportunity, that a summons be served upon the Federal Government, the AFIP and the ENRE as third-party defendants. These pleadings were made available to the plaintiff. Although the plaintiff's opposition to the requested summons had not yet been resolved, the proceedings were brought to trial, in response to which EDENOR S.A. filed a motion for reversal with a supplementary appeal. As of to date, the

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proceedings are “awaiting resolution”, as a step prior to open the trial to testimony and other evidence.

**Conclusion:** no provision has been recorded for these claims in these financial statements as the Company’s management, based on both that which has been previously mentioned and the opinion of its legal advisors, believes that there exist solid arguments to support its position.

**Legal action brought by Unión de Usuarios y Consumidores**

**Purpose:**

- a) that clause 4.6 and related clauses of Appendix I of the Adjustment Agreement be revoked, inasmuch as they establish that the rate increase will be retroactive;
- b) that Resolution No. 51/07 of the ENRE be nullified inasmuch as it authorizes the retroactive increase of rates in favor of the Company.
- c) that the Company be ordered to reimburse customers all the amounts paid as retroactive rate increase for the period of November 1, 2005 through January 31, 2007.
- d) that the reimbursement be implemented through a credit in favor of customers.

**Amount:** undetermined

**Procedural stage of the proceedings:** By resolution issued on 06/01/11, the Court of Appeals in Contentious and Administrative Federal Matters No. V, supporting the Company’s arguments, ordered that the lower court decision be nullified as to the merits of the case. Against such decision, the Unión de Usuarios y Consumidores filed an extraordinary federal appeal (“Recurso Extraordinario Federal”) which was granted on 11/03/11. The proceedings have been taken to the Supreme Court.

**Conclusion:** no provision has been recorded for these claims in these financial statements as the Company’s management, based on both that which has been previously mentioned and the opinion of its legal advisors, believes that there exist solid arguments to support its position.

**Legal action brought by the Company (“EDENOR S.A. VS RESOLUTION NO. 32/11 OF THE ENRE”)**

**Purpose:**

By this action, the Company challenges such resolution, which – within the framework of the power cuts occurred between December 20 and December 31, 2010 – established the following:

- That the Company be fined in the amount of 750 due to its failure to comply with the obligations arising from Section 25) sub-sections a, f and g of the Concession Agreement and Section 27 of Law No. 24,065.
- That the Company be fined in the amount of 375 due to its failure to comply with the obligations arising from Section 25 of the Concession Agreement and Resolution No. 905/1999 of the ENRE.

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- That Company customers be paid as compensation for the power cuts suffered the following amounts: 180 to each small-demand residential customer who suffered power cuts that lasted more than 12 continuous hours, 350 to those who suffered power cuts that lasted more than 24 continuous hours, and 450 to those who suffered power cuts that lasted more than 48 continuous hours. The resolution stated that such compensation did not include damages to customer facilities and/or appliances, which were to be dealt with in accordance with a specific procedure.

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

**Procedural stage of the proceedings:** on 07/08/11, the Company requested that notice of the substance of the case be served on the ENRE, which has effectively taken place. The proceedings are “awaiting resolution” since the date on which the ENRE answered the notice served. Furthermore, on 10/28/11, the Company filed an appeal (“recurso de queja por apelación denegada”) to the Federal Supreme Court requesting that the rejected extraordinary federal appeal be sustained.

**Conclusion:** At the end of the year ended December 31, 2012, the provision recorded in relation to the aforementioned compensations amounts to \$ 30,4 million, including principal amount and accrued interest (Note 2.e). It is estimated that this case will not come to an end during 2013.

**Legal action brought by the Company (“EDENOR S.A. VS RESOLUTION ENRE No. 336/12”)**

**Purpose:**

By this action, the Company challenges the ENRE’s resolution pursuant to which:

- the Company is to determine the customers affected by the power cuts occurred as a consequence of failures between October 29 and November 14, 2012;
- the Company is to determine the discounts to be recognized to each of the customers identified in accordance with the preceding caption;
- the Company is to credit such discounts on account of the final discounts that will result from the evaluation of the Technical Service Quality relating to the six-month control period;
- the Company is to compensate each small-demand residential customer (T1R) who has been affected by the power cuts occurred during the aforementioned period. The amount of the compensation will depend on the length of the power cut, provided, however, that such power cut lasted more than 12 continuous hours.

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

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

**Conclusion:** At the closing date of the year ended December 31, 2012, the provision recorded in relation to the aforementioned penalties and compensations amounts to \$ 16.7 million (Note 2.1.e). It is estimated that this case will not come to an end during 2013.

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

**Purpose:** that the Company be ordered to reduce or mitigate the default or late payment interest rates charged to customers who pay their bills after the first due date, inasmuch as they violate section 31 of Law No. 24,240, ordering both the non application of pacts or accords that stipulate the interest rates that are being applied to the users of electricity –their unconstitutional nature– as well as the reimbursement of interest amounts illegally collected from users of the service from 08/15/08 through the date on which the defendant complies with the order to reduce interest. It is also requested that the value added tax (VAT) and any other taxes charged on the portion of the surcharge illegally collected be reimbursed.

**Amount:** undetermined

**Procedural stage of the proceedings:** On 11/11/11, the Company answered the complaint and filed a motion to dismiss for both lack of standing (“excepción de falta de legitimación activa”) and the fact that the claims at issue were being litigated in another lawsuit (“excepción de litispendencia”), requesting, at such opportunity, that a summons be served upon the ENRE as a third-party defendant. These pleadings were made available to the plaintiff. Prior to rendering a decision on the motion to dismiss for the fact that the claims at issue were being litigated in another lawsuit (“excepción de litispendencia”), the Court ordered that the Court in Contentious and Administrative Federal Matters No. 2 – Clerk’s Office No. 3, provide it with the proceedings “Consumidores Financieros Asociación Civil vs EDESUR and Other defendants, in the case brought for BREACH OF CONTRACT”.

**Conclusion:** therefore, no provision has been recorded for these claims in these financial statements as the Company’s management, based on both that which has been previously mentioned and the opinion of its legal advisors, believes that there exist solid arguments to support its position.

**Payment agreement with Municipality of Moreno**

On October 31, 2012, the Company and the Municipality of Moreno entered into a payment plan agreement for the settlement of the balance owed, consisting of one payment of 600 to be made in November 2012 with the remaining balance being paid in 36 monthly and consecutive installments plus interest, to be calculated on the basis of the lending rate applied by Banco de la Nación Argentina for 30-day deposits.

**Petition against AFIP - DGI**

The Company has filed a petition for declaratory relief against AFIP – DGI pursuant to Section 322 of the Federal Civil and Commercial Procedural Code in order to obtain assurance as to the application of the minimum presumed income tax based on the decision by the Supreme Court in “Hermitage” passed on June 15, 2010.

In this established precedent, the Court had declared this tax unconstitutional since it may be unreasonable under certain circumstances and since it breaches the capacity to pay principle.

As at December 31, 2012 and 2011, the Company held a provision for the minimum presumed income tax for the fiscal years mentioned and for the proportional tax estimated for this period for a total amount of \$ 34.15 million and \$ 40.8 million, respectively, including compensatory interest.

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**b. Subsidiary - EDEN****ADMINISTRATIVE CLAIM (ACCION DE REPETICION) – TAX ON MINIMUM PRESUMED INCOME**

**Purpose:** To claim reimbursement by the Public Administration of Public Revenues (AFIP), of the excess amounts paid by AESEBA as Minimum Presumed Income Tax for fiscal periods 1998 through 2003.

**Amount:** \$ 25 thousand.

**Procedural stage of the proceedings:** The subsidiary company lodged two special appeals (Recurso de reconsideración) against the AFIP's resolutions claiming not only the approval of the amounts not approved by the tax authorities but also that interest be calculated as from the filing date of the administrative claim. To date, these appeals have not yet been resolved.

In August 2011, the AFIP corrected interest calculation and on 08/17/11 made payment for the period 1998 through 2001. The appeal concerning fiscal years 2002 and 2003 is still pending resolution.

**Conclusion:** Due to the above-mentioned, no provision has been recorded for this claim in these consolidated financial statements.

**MANAGEMENT OPERATOR, INCOME TAX, DEDUCTIONS, FOREIGN BENEFICIARIES**

**Purpose:** assessment procedure by the Federal Administration of Public Revenues ("AFIP") aimed at verifying the calculation of income tax and withholdings to foreign beneficiaries for fiscal periods 1998 and 1999.

Within the framework of this inspection, the AFIP noted a delay in the registration with the National Institute of Intellectual Property (INPI) of the technical assistance, know-how and operation agreement entered into on 06/02/97 by the Subsidiary Company and CEA Americas Operating Company (afterwards PSEG Americas Operating Company). As a consequence of the delay, the AFIP questioned the deduction of the amounts paid under the agreement on income tax returns for periods 1997, 1998 and 1999. Additionally, the AFIP questioned the presumed net income rate applied by the Subsidiary Company on such amounts.

**Amount:** undetermined

**Procedural stage of the proceedings:** on 04/28/09, the Subsidiary Company decided to adhere to the Tax and Social Security Contributions Regularization Plan set forth by Law No. 26,476/08, regulated by General Resolution No. 2,537/09, thereby abandoning the appeals filed with the Federal Tax Court.

**Conclusion:** Due to the above-mentioned, no provision has been recorded for these claims in these consolidated financial statements.



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**as at December 31, 2012, 2011 and January 1, 2011**

**10. Property, plant and equipment**

	Lands and buildings	Substations	High, medium and low voltage lines
<b>At 01.01.11</b>			
Cost	107,072	1,139,156	3,256,514
Accumulated depreciation	(24,079)	(392,709)	(1,618,749)
<b>Net amount</b>	<b>82,993</b>	<b>746,447</b>	<b>1,637,765</b>
<b>At 12.31.11</b>			
Cost	127,383	1,139,227	3,254,200
Accumulated depreciation	(32,687)	(425,670)	(1,700,645)
<b>Net amount</b>	<b>94,696</b>	<b>713,557</b>	<b>1,553,555</b>
<b>At 12.31.12</b>			
Cost	143,408	1,242,566	3,488,557
Accumulated depreciation	(38,061)	(466,295)	(1,784,028)
<b>Net amount</b>	<b>105,347</b>	<b>776,271</b>	<b>1,704,529</b>
<b>At 01.01.11</b>			
Cost	107,072	1,139,156	3,256,514
Accumulated depreciation	(24,079)	(392,709)	(1,618,749)
<b>Net amount</b>	<b>82,993</b>	<b>746,447</b>	<b>1,637,765</b>
<b>At 12.31.11</b>			
Cost	127,383	1,139,227	3,254,200
Accumulated depreciation	(32,687)	(425,670)	(1,700,645)
<b>Net amount</b>	<b>94,696</b>	<b>713,557</b>	<b>1,553,555</b>
<b>At 12.31.12</b>			
Cost	143,408	1,242,566	3,488,557
Accumulated depreciation	(38,061)	(466,295)	(1,784,028)
<b>Net amount</b>	<b>105,347</b>	<b>776,271</b>	<b>1,704,529</b>

(1) Includes \$ 7.7 million relating to the net disposal of the assets available for sale.

(2) Includes \$ 44.3 million relating to the year's depreciation of the assets available for sale.

- During the years ended December 31, 2012 and 2011, direct costs capitalized amounted to \$ 107.54 million and \$ 76.89 million.
- Financial costs capitalized for the years ended December 31, 2012 and 2011, amounted to \$ 25.40 million and \$ 16.13 million.

<b>Transforming chamber, platforms and meters</b>	<b>Furniture, tools, vehicles, equipment and communications</b>	<b>Constructions in progress</b>	<b>Supplies and spare parts</b>	<b>Total</b>
1,406,110	380,072	307,398	23,249	6,619,571
(556,931)	(314,773)	-	-	(2,907,241)
849,179	65,299	307,398	23,249	3,712,330
87,585	150,331	81,891	10,849	1,120,925
489	5,806	563,281	13,426	603,549
(41)	(157)	(1,633)	(5,857)	(9,578)
19,378	17,191	(151,765)	(9,586)	-
(56,603)	(29,339)	-	-	(232,220)
(99,765)	(142,732)	(55,540)	(8,832)	(1,199,696)
800,222	66,399	743,632	23,249	3,995,310
1,406,224	432,272	743,632	23,249	7,126,187
(606,002)	(365,873)	-	-	(3,130,877)
800,222	66,399	743,632	23,249	3,995,310
-	7,060	537,547	4,329	549,046
(98)	(200)	-	-	(1,886)
243,161	86,174	(688,242)	2,706	-
(52,232)	(12,854)	(2,401)	-	(197,871)
991,053	146,579	590,536	30,284	4,344,599
1,649,273	523,893	590,536	30,284	7,668,517
(658,220)	(377,314)	-	-	(3,323,918)
991,053	146,579	590,536	30,284	4,344,599

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**as at December 31, 2012, 2011 and January 1, 2011**

**11. Intangible assets**

	Contract right from the concessions	Total
<b>At 01.01.11</b>		
Cost	-	-
Accumulated amortization	-	-
<b>Net amount</b>	<b>-</b>	<b>-</b>
Additions from business combinations	760,479	760,479
Additions	63,366	63,366
Disposals	(10,737)	(10,737)
Amortization	(20,093)	(20,093)
<b>Net amount 12.31.11</b>	<b>793,015</b>	<b>793,015</b>
<b>At 12.31.11</b>		
Cost	1,072,089	1,072,089
Accumulated amortization	(279,074)	(279,074)
<b>Net amount</b>	<b>793,015</b>	<b>793,015</b>
<b>Additions</b>	<b>85,686</b>	<b>85,686</b>
Disposals	(7,962)	(7,962)
Amortization	(24,891)	(24,891)
<b>Net amount 12.31.12</b>	<b>52,833</b>	<b>52,833</b>
<b>At 12.31.12</b>		
Cost	1,146,241	1,146,241
Accumulated amortization	(300,393)	(300,393)
<b>Net amount</b>	<b>845,848</b>	<b>845,848</b>

The subsidiary EDEN is the holder of the concession for the provision of the public service of electric power distribution and sale in the northern area of the Province of Buenos Aires. As stipulated in the concession agreement, the concession authority controls the services to be provided and their prices, and maintains a significant interest in the infrastructure at the end of the concession period. Due to the fact that the concession agreement grants EDEN the right to charge users for the electricity distributed, the Company recognizes an intangible asset.

The resulting intangible asset is amortized on a straight-line basis throughout the estimated useful life of each of the underlying fixed assets that make up its value, without exceeding the term of the concession.

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## 12. Assets under construction

Detailed below are the main construction works financed with funds from, the Company's own funds, Program for the Rational Use of Electric Power (PUREE), Electric Power Control Authority of the Province of Buenos Aires (OCEBA) and FREBA.

	Construction works with the Company's own funds	Construction works with PUREE funds	Construction works with OCEBA funds	Construction works with FREBA funds	Total
<b>At January 1, 2011</b>	-	-	-	-	-
Balance at beginning of period	29,967	4,985	2,283	-	37,235
Additions	30,499	10,056	2,063	-	42,618
Transfers	(24,281)	(10,045)	(23)	-	(34,349)
<b>At December 31, 2011</b>	<b>36,185</b>	<b>4,996</b>	<b>4,323</b>	<b>-</b>	<b>45,504</b>
Additions	53,243	10,711	1,726	50,234	115,914
Transfers	(26,747)	(2,008)	(1,977)	(46,220)	(76,952)
<b>At December 31, 2012</b>	<b>62,681</b>	<b>13,699</b>	<b>4,072</b>	<b>4,014</b>	<b>84,466</b>

## 13. Financial instruments

### 13.1 Financial instruments by category

	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Non-financial assets	Total
<b>At December 31, 2012</b>				
<b>Assets</b>				
Trade receivables	891,425	-	45,688	937,113
Other receivables	113,500	-	92,569	206,069
Cash and cash equivalents				
Cash and Banks	18,697	-	-	18,697
Checks to be deposited	976	-	-	976
Time deposits	481	-	-	481
Money market funds	-	50,954	-	50,954
<i>Financial assets at fair value through profit or loss:</i>				
Government bonds	-	3,415	-	3,415
<b>Total</b>	<b>1,025,079</b>	<b>54,369</b>	<b>138,257</b>	<b>1,217,705</b>

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# annual report 2012

ANNUAL REPORT

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ANNUAL REPORT

ANNUAL REPORT 2012

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	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Non- financial assets	Total
<b>At December 31, 2011</b>				
<b>Assets</b>				
Trade receivables	534,732	-	45,725	580,457
Other receivables	25,364	-	101,164	126,528
Derivative financial instruments	-	1,316	-	1,316
Cash and cash equivalents				
Cash and Banks	22,818	-	-	22,818
Checks to be deposited	277	-	-	277
Time deposits	48,511	-	-	48,511
Money market funds	-	58,903	-	58,903
<i>Financial assets at fair value through profit or loss:</i>				
Government bonds	-	2,132	-	2,132
<b>Total</b>	<b>631,702</b>	<b>62,351</b>	<b>146,889</b>	<b>840,942</b>

<b>At January 1, 2011</b>				
<b>Assets</b>				
Trade receivables	421,193	-	45,531	466,724
Other receivables	29,767	-	28,798	58,565
Cash and cash equivalents				
Cash and Banks	8,016	-	-	8,016
Checks to be deposited	595	-	-	595
Time deposits	17,523	-	-	17,523
Money market funds	-	219,873	-	219,873
<i>Financial assets at fair value through profit or loss:</i>				
Government bonds	-	315,267	-	315,267
Corporate notes	-	115,569	-	115,569
<b>Total</b>	<b>477,094</b>	<b>650,709</b>	<b>74,329</b>	<b>1,202,132</b>

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	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Subtotal financial liabilities	Non- financial liabilities	Total
<b>At December 31, 2012</b>					
<b>Liabilities</b>					
Trade payables and other liabilities	1,359,623	-	1,359,623	2,029,381	3,389,004
Borrowings	1,453,843	-	1,453,843	-	1,453,843
<b>Total</b>	<b><u>2,813,466</u></b>	<b><u>-</u></b>	<b><u>2,813,466</u></b>	<b><u>2,029,381</u></b>	<b><u>4,842,847</u></b>
<b>At December 31, 2011</b>					
<b>Liabilities</b>					
Trade payables and other liabilities	742,788	-	742,788	1,470,890	2,213,678
Borrowings	1,248,907	-	1,248,907	-	1,248,907
<b>Total</b>	<b><u>1,991,695</u></b>	<b><u>-</u></b>	<b><u>1,991,695</u></b>	<b><u>1,470,890</u></b>	<b><u>3,462,585</u></b>
<b>At January 1, 2011</b>					
<b>Liabilities</b>					
Trade payables and other liabilities	434,031	-	434,031	984,518	1,418,549
Borrowings	1,081,968	-	1,081,968	-	1,081,968
Derivative financial instruments	-	7,253	7,253	-	7,253
<b>Total</b>	<b><u>1,515,999</u></b>	<b><u>7,253</u></b>	<b><u>1,523,252</u></b>	<b><u>984,518</u></b>	<b><u>2,507,770</u></b>

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

	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Total
<b>At December 31, 2012</b>			
Interest income	56,362	29,647	86,009
Exchange differences	16,277	-	16,277
Bank fees and expenses	(58,845)	-	(58,845)
Gain from financial instruments at fair value	-	39,053	39,053
Adjustment to present value of retroactive tariff increase arising from the application of the new electricity rate schedule and other trade receivables	421	-	421
<b>Total</b>	<b>14,215</b>	<b>68,700</b>	<b>82,915</b>

<b>At December 31, 2011</b>			
Interest income	33,222	22,346	55,568
Exchange differences	18,074	-	18,074
Bank fees and expenses	(37,692)	-	(37,692)
Gain from financial instruments at fair value	-	13,296	13,296
Adjustment to present value of retroactive tariff increase arising from the application of the new electricity rate schedule and other trade receivables	1,170	-	1,170
<b>Total</b>	<b>14,774</b>	<b>35,642</b>	<b>50,416</b>

	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Non-financial instruments	Total
<b>At December 31, 2012</b>				
Interest expense	(225,258)	-	(11,920)	(237,178)
Other financial results	(12,085)	-	-	(12,085)
Bank fees and expenses	(825)	-	-	(825)
Exchange differences	(210,364)	-	-	(210,364)
<b>Total</b>	<b>(448,532)</b>	<b>-</b>	<b>(11,920)</b>	<b>(460,452)</b>

<b>At December 31, 2011</b>				
Interest expense	(162,095)	-	(2,501)	(164,596)
Bank fees and expenses	(13,835)	-	-	(13,835)
Exchange differences	(120,896)	-	-	(120,896)
Gain from the purchase of financial debt	6,546	-	-	6,546
Other financial results	(15,404)	-	-	(15,404)
<b>Total</b>	<b>(305,684)</b>	<b>-</b>	<b>(2,501)</b>	<b>(308,185)</b>

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por Comisión Fiscalizadora

  
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**13.2 Credit quality of trade receivables**

The credit quality of financial assets that are neither past due nor impaired may be assessed based on external credit ratings or historical information.

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
Customers with no external credit rating (1):			
Group 1 (i)	621,425	345,866	339,428
Group 2 (ii)	211,190	64,191	66,902
Group 3 (iii)	54,091	157,226	46,231
Group 4 (iv)	50,407	13,174	14,163
<b>Total trade receivables</b>	<b><u>937,113</u></b>	<b><u>580,457</u></b>	<b><u>466,724</u></b>

(1) Balances do not include the allowance for the impairment of trade receivables

- (i) Relates to customers with debt to become due.
- (ii) Relates to customers with up to 3 months past due debt.
- (iii) Relates to customers with 3 to 12 months past due debt.
- (iv) Relates to customers with more than 12 months past due debt.

**13.3 Financial assets at fair value through profit or loss**

	<u>12.31.2012</u>	<u>12.31.2011</u>	<u>01.01.2011</u>
Government bonds	3,415	2,132	315,267
Corporate notes	-	-	115,569
	<b><u>3,415</u></b>	<b><u>2,132</u></b>	<b><u>430,836</u></b>

**14. Other receivables**

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
<b>Non-current</b>			
Prepaid expenses	1,260	1,140	1,199
Tax on minimum presumed income	26,201	30,743	12,283
Tax credits	11,697	1,714	3,693
Financial receivable with SIESA (Note 40)	12,993	-	-
Receivable with EDEN S.A. class "C" shareholders	17,263	15,417	-
Other	1,077	1,249	1,321
<b>Total non-current</b>	<b><u>70,491</u></b>	<b><u>50,263</u></b>	<b><u>18,496</u></b>

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Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
<b>Current</b>			
Prepaid expenses	1,893	2,986	4,625
Advances to suppliers	47,410	39,163	4,415
Advances to personnel	3,666	4,627	6,276
Guarantee deposits	1,074	-	-
Receivables from activities other than the main activity	27,521	20,405	23,321
Financial receivable with SIESA (Note 40)	2,516	-	-
Credit with FOCEDE (Res. 347/12)	3,789	-	-
Note receivable with EDESUR S.A.	3,529	2,846	-
Judicial deposits	4,216	5,859	4,418
Related parties (Note 30)	52,292	8,282	4,169
Allowance for the impairment of other receivables	(16,011)	(12,253)	(12,799)
Other	3,683	4,350	5,644
<b>Total current</b>	<b><u>135,578</u></b>	<b><u>76,265</u></b>	<b><u>40,069</u></b>

The carrying amount of other receivables approximates fair value.  
The aging analysis of these other receivables is as follows:

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
Past due	24,028	15,003	30,045
Up to 3 months	55,048	37,508	25,157
From 3 to 6 months	1,534	851	582
More than 6 months	125,459	73,166	2,781
<b>Total other receivables</b>	<b><u>206,069</u></b>	<b><u>126,528</u></b>	<b><u>58,565</u></b>

The evolution of the allowance for the impairment of receivables is as follow:

	<u>12.31.12</u>	<u>12.31.11</u>
Balance at beginning of year	12,253	12,799
Incorporation for acquisition of subsidiaries	-	4,358
Increase	4,095	1,495
Increase related parties	-	-
Uses	(337)	(6,399)
<b>Balance at end of year</b>	<b><u>16,011</u></b>	<b><u>12,253</u></b>

At the consolidated statement of financial position date, the maximum exposure to credit risk is the carrying amount of each class of other receivables.

  
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PRICE WATERHOUSE & CO S.R.L.

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

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

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
Argentine pesos	141,283	109,105	53,918
US dollars	64,514	16,446	4,063
Euros	272	977	584
	<u><b>206,069</b></u>	<u><b>126,528</b></u>	<u><b>58,565</b></u>

### 15. Trade receivables

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
<b>Non-current:</b>			
Receivables from Cost Monitoring Mechanism and others	45,688	45,725	45,531
Bonds for the cancellation of debts of the Province of Bs. As.	2,042	-	-
<b>Total non-current</b>	<u><b>47,730</b></u>	<u><b>45,725</b></u>	<u><b>45,531</b></u>
<b>Current:</b>			
Sales of electricity - Billed (1)	564,338	344,116	216,749
Sales of electricity - Unbilled	325,623	196,598	149,046
Retroactive tariff increase arising from the application of the new electricity rate schedule Framework Agreement	25,438	25,662	33,047
National Fund of Electricity	2,984	3,353	3,437
Bonds for the cancellation of debts of the Province of Bs. As.	4,095	-	8,743
Specific fee payable for the expansion of the network, transportation and others	9,933	6,512	4,477
In litigation	20,237	16,109	14,681
Allowance for the impairment of trade receivables	(63,265)	(57,618)	(29,259)
<b>Total current</b>	<u><b>889,383</b></u>	<u><b>534,732</b></u>	<u><b>421,193</b></u>

(1) Net of Stabilization factor (Note 2.h)

The carrying amount of trade receivables approximates fair value.

At December 31, 2012, 2011 and January 1, 2011, trade receivables that were past due but for which no allowance had been recorded amounted to \$ 252.42 million, \$ 176.97 million and \$ 98.04 million, respectively. These balances relate to independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
Past due	315,688	216,973	127,296
Up to 3 months	573,396	317,306	292,923
From 3 to 6 months	162	246	488
More than 6 months	47,867	45,932	46,017
<b>Total trade receivables</b>	<u><b>937,113</b></u>	<u><b>580,457</b></u>	<u><b>466,724</b></u>

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

	<u>12.31.12</u>	<u>12.31.11</u>
Balance at beginning of year	57,618	29,259
Additions from business combinations	-	26,400
Increase	14,425	9,313
Uses	(8,778)	(7,354)
<b>Balance at end of year</b>	<b><u>63,265</u></b>	<b><u>57,618</u></b>

At the consolidated statement of financial position date, the maximum exposure to credit risk is the carrying amount of each class of other receivables.

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

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
Argentine pesos	937,113	580,457	466,724
	<b><u>937,113</u></b>	<b><u>580,457</u></b>	<b><u>466,724</u></b>

#### 16. Inventories

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
Supplies and spare-parts	85,002	45,325	12,407
<b>Total inventories</b>	<b><u>85,002</u></b>	<b><u>45,325</u></b>	<b><u>12,407</u></b>

#### 17. Cash and cash equivalents

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
Cash and Banks	19,673	23,095	8,611
Time deposits	481	48,511	17,523
Money market funds	50,954	58,903	219,873
<b>Total cash and cash equivalents</b>	<b><u>71,108</u></b>	<b><u>130,509</u></b>	<b><u>246,007</u></b>

#### 18. Discontinued operations

As a consequence of that mentioned in note 39 to these Consolidated Financial Statements, the interest held by the subsidiary EMDERSA Holding in its subsidiary EMDERSA has been classified as "Assets of disposal groups classified as held for sale", due to the Company Management's decision to discontinue the related operations.

These assets must be valued at the lower of the book value and fair value less costs to sell. At December 31, 2012, these assets have been valued at their fair value less costs to sell, which is lower than their book value.

Véase nuestro informe de fecha 8/3/2013  
PRICE WATERHOUSE & CO S.R.L.

  
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The detail of assets classified as held for sale is as follows:

	<u>12.31.12</u>	<u>12.31.11</u>
Emdersa Holding's equity	41,522	263,183
Percentage interest held	99.99%	99.99%
<b>Value on equity method:</b>	<b>41,518</b>	<b>263,157</b>

<b>Assets of disposal groups classified as held for sale at Net Realizable Value (NRV):</b>	<b>41,518</b>	<b>216,531</b>
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**Change in Net Realizable Value:**

Realization of assets of disposal groups classified as held for sale	(152,646)
Gain on Net Realizable Value	<u>(22,367)</u>
<b>Net change</b>	<b><u>(175,013)</u></b>

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

	<u>Number of shares (1)</u>	<u>Share capital (2)</u>	<u>Additional paid-in capital</u>	<u>Total</u>
<b>At January 1, 2011</b>	<b>906,455,100</b>	<b>1,902,944</b>	<b>18,317</b>	<b>1,921,261</b>
Additional purchase of non-controlling interests	-	-	3,452	3,452
<b>At December 31, 2011</b>	<b>906,455,100</b>	<b>1,902,944</b>	<b>21,769</b>	<b>1,924,713</b>
Absorption of accumulated losses - Shareholders' Meeting of 04/27/2012 (Note 41)	-	(588,426)	(18,317)	(606,743)
<b>At December 31, 2012</b>	<b>906,455,100</b>	<b>1,314,518</b>	<b>3,452</b>	<b>1,317,970</b>

(1) Includes 9,412,500 treasury shares December 31, 2012, 2011 and January 1, 2011.

(2) Includes the nominal value of capital and treasury stock and the adjustment for inflation value of both concepts (see Note 4.26).

At December 31, 2012 and 2011, the Company's share capital amounts to 906,455,100 shares, represented by 462,292,111 common, book-entry Class A shares with a par value of one peso each and the right to one vote per share; 442,210,385 common, book-entry Class B shares with a par value of one peso each and the right to one vote per share; and 1,952,604 common, book-entry Class C shares with a par value of one peso each and the right to one vote per share. Each and every share maintains the same voting rights, i.e. one vote per share. There are no preferred shares of any kind, dividends and/or preferences in the event of liquidation, privileged participation rights, prices and dates, or unusual voting rights. Moreover, there are no significant terms of contracts allowing for either the issuance of additional shares or any commitment of a similar nature.

Véase nuestro informe de fecha 8/3/2013  
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DANIEL ABELOVICH  
por Comisión Fiscalizadora

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

During fiscal year 2008, the Company acquired 9,412,500 Class B treasury shares with a nominal value of 1 peso. The amount disbursed to acquire these shares totaled \$ 6.4 million, which was deducted from inappropriate retained earnings of the equity attributable to the owners of the Company at that date.

At the date of these consolidated financial statements, these shares are held as "treasury stock". The Company is entitled to reissue these shares at a future date.

On March 3, 2011, the Company held the General Annual Meeting which resolved by majority of votes to extend for 3 years the term for holding the treasury shares acquired within the framework of section 68 of Law No. 17,811 (text consolidated by Decree No. 677/01). All the shares issued have been fully paid-in.

### **The Company's Employee Stock Ownership Program**

At the time of the privatization of SEGBA (the Company's predecessor), the Argentine Government assigned the Company's Class C shares, representing 10% of the Company's outstanding capital stock, for the creation of an Employee Stock Ownership Program (ESOP) in compliance with the provisions of Law No. 23,696 and its regulatory decrees. Through this program, certain eligible employees (including former SEGBA employees who had been transferred to the Company) were entitled to receive a specified number of Class C shares, to be calculated on the basis of a formula that took into consideration a number of factors including employee salary, position and seniority. In order to implement the ESOP, a general transfer agreement, a voting trust agreement and a trust agreement were signed.

Pursuant to the general transfer agreement, participating employees were allowed to defer payment of the Class C shares over time. As security for the payment of the deferred purchase price, the Class C shares were pledged in favor of the Argentine government. This pledge was released on April 27, 2007 upon full payment to the Argentine Government of the deferred purchase price of all Class C shares. Additionally, in accordance with the terms of the original trust agreement, the Class C shares were held in trust by Banco de la Nación Argentina, acting as trustee, for the benefit of the ESOP participating employees and the Argentine Government. Furthermore, in accordance with the voting trust agreement, all political rights of participating employees (including the right to vote at the Company's ordinary and extraordinary shareholders' meetings) were to be jointly exercised until full payment of the deferred purchase price and release of the pledge in favor of the Argentine Government. On April 27, 2007, ESOP participating employees fully paid the deferred purchase price to the Argentine Government, accordingly, the pledge was released and the voting trust agreement was terminated.

In accordance with the regulations applicable to the ESOP, participating employees who retired before full payment of the deferred purchase price to the Argentine Government was made, were required to transfer their shares to the Guarantee and Repurchase Fund (Fondo de Garantía y Recompra) at a price to be calculated in accordance with a formula established in the general transfer agreement. At the date of payment of the deferred purchase price, the Guarantee and Repurchase Fund had not fully paid the amounts due to former ESOP participating employees for the transfer of their Class C shares.

A number of former employees of both SEGBA and the Company have brought legal actions against the Guarantee and Repurchase Fund, the Argentine Government and, in few cases, against the Company, in cases in relation to the administration of the Employee Stock Ownership Program. The plaintiffs who are former employees of SEGBA were not deemed eligible by the corresponding authorities to participate in

Véase nuestro informe de fecha 8/3/2013  
PRICE WATERHOUSE & CO S.R.L.

  
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Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

the Employee Stock Ownership Program at the time of its creation. This decision is being disputed by the plaintiffs who are therefore seeking compensation. The plaintiffs who are former employees of the Company are claiming payment for the unpaid amounts owed to them by the Guarantee and Repurchase Fund either due to non-payment of the transfer of their shares upon retirement in favor of the Guarantee and Repurchase Fund or incorrect calculation of amounts paid to them by the Guarantee and Repurchase Fund. In several of these claims, the plaintiffs have obtained attachment orders or prohibitory injunctions against the Guarantee and Repurchase Fund on Class C shares and the amounts deposited in such Fund. Due to the fact that the resolution of these legal proceedings is still pending, the Federal Government has instructed Banco de la Nación Argentina to create a Contingency Fund so that a portion of the proceeds of the offering of the Employee Stock Ownership Program Class C shares be kept during the course of the legal actions.

No provision has been recorded in these consolidated financial statements in connection with the legal actions brought against the Company as the Company's management believes that EDENOR S.A. is not responsible for the above-mentioned claims.

In accordance with the agreements, laws and decrees that govern the Employee Stock Ownership Program, the Class C shares may only be held by personnel of the Company, therefore before the public offering of the Class C shares that had been separated from the Program, such shares were converted into Class B shares and sold. In conformity with the by-laws, the political rights previously attributable to Class C shares are at present jointly exercised with those attributable to Class B shares and the holders of the remaining Class C shares will vote jointly as a single class with the holders of Class B shares when electing directors and supervisory committee members. At December 31, 2012, 2011 and January, 1, 2011, 1,952,604 Class C shares, representing 0.22% of the Company's share capital are outstanding.

#### **Section 206 – Argentine Business Organizations Law**

The negative results recorded by the Company at December 31, 2012 consume 100% of the reserves and more than 50% of capital. Section 206 of the Argentine Business Organizations Law establishes the mandatory reduction of a company's capital stock when this situation occurs. Therefore, the Company's shareholders are currently analyzing alternatives, in accordance with regulation effective, to resolve this situation.

### **20. Allocation of profits**

#### **Restrictions on the distribution of dividends**

- i. In accordance with the provisions of Law No. 19,550, the General Annual Meeting held on April 27, 2012 resolved that the loss for the year ended December 31, 2011 must be absorbed by the Retained Earnings account.
- ii. In accordance with the provisions of Law No. 25,063, passed in December 1998, dividends to be distributed, whether in cash or in kind, in excess of accumulated taxable profits at the fiscal year-end immediately preceding the date of payment or distribution, shall be subject to a final 35% income tax withholding, except for those dividends distributed to shareholders who are residents of countries benefiting from conventions for the avoidance of double taxation who will be subject to a lower tax rate.

  
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Véase nuestro informe de fecha 8/3/2013  
PRICE WATERHOUSE & CO S.R.L.

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

- iii. Additionally, as indicated in Note 2, and in accordance with the Adjustment Agreement entered into between Edenor S.A. and the Federal Government, there are certain restrictions on the distribution of dividends by the Company and the ENRE's approval for any distribution is necessary.
- iv. In accordance with the provisions of Argentine Business Organizations Law No. 19,550, not less than five percent (5%) of the net profit arising from the statement of income for the year must be allocated to the legal reserve, until it equals twenty percent (20%) of the share capital. No charge has been recorded for this concept in the current year.
- v. Recording of the legal reserve for up to the amount absorbed, as resolved by the General Annual Meeting held on April 27, 2012 (Note 41).

## 21. Trade payables

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
<b>Non-current</b>			
Customer deposits	57,785	53,477	49,129
Customer contributions	95,723	33,338	-
Payables for purchase	1,805	867	1,855
<b>Total non-current</b>	<u><b>155,313</b></u>	<u><b>87,682</b></u>	<u><b>50,984</b></u>
<b>Current</b>			
Payables for purchase of electricity - CAMMESA	421,398	138,112	115,598
Payables for purchase	329,509	270,585	106,028
Provision for unbilled electricity purchases - CAMMESA	259,762	134,151	111,860
Related parties	14,257	4,065	8
Customer contributions	68,237	45,954	33,965
Funding contributions substations	53,286	-	-
Other	42,083	30,806	9,654
<b>Total current</b>	<u><b>1,188,532</b></u>	<u><b>623,673</b></u>	<u><b>377,113</b></u>

The carrying amount of Trade payables approximates fair value.

## 22. Other liabilities

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
<b>Non-current</b>			
Program for the rational use of electric power (Note 2.c.III)	1,277,761	867,087	529,097
ENRE penalties and discounts	617,011	506,602	455,421
<b>Total non-current</b>	<u><b>1,894,772</b></u>	<u><b>1,373,689</b></u>	<u><b>984,518</b></u>

Véase nuestro informe de fecha 8/3/2013  
PRICE WATERHOUSE & CO S.R.L.

  
DANIEL ABELOVICH  
por Comisión Fiscalizadora

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

**Current**

Program for the rational use of electric power (Res. MIVSPBA N° 252/07)	74,693	61,566	-
ENRE penalties and discounts	45,031	35,636	-
Advance payments received for EDELAR's sale agreement	7,377	6,455	-
Related parties	2,382	15,597	1,392
Payables with FOCEDE (Res. 347/12)	3,789	-	-
Dividends payable	7,509	1,211	-
Other	9,606	8,169	4,542
<b>Total current</b>	<b>150,387</b>	<b>128,634</b>	<b>5,934</b>

The carrying amount of other liabilities approximates fair value.

**23. Deferred revenue**

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
<b>Non-current:</b>			
Related to IFRIC 12	230,061	157,338	-
Customer contribution non refundable	34,366	17,458	-
<b>Total Non-current</b>	<b>264,427</b>	<b>174,796</b>	<b>-</b>

**24. Borrowings**

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
<b>Non-current</b>			
Financial loans	5,424	6,890	-
Corporate notes	1,345,276	1,182,992	1,035,113
<b>Total non-current</b>	<b>1,350,700</b>	<b>1,189,882</b>	<b>1,035,113</b>
<b>Current</b>			
Financial loans	31,371	6,871	-
Interest	35,107	28,869	21,237
Corporate notes	11,665	23,285	25,618
Overdrafts	25,000	-	-
<b>Total current</b>	<b>103,143</b>	<b>59,025</b>	<b>46,855</b>

Véase nuestro informe de fecha 8/3/2013  
PRICE WATERHOUSE & CO S.R.L.

  
DANIEL ABELOVICH  
por Comisión Fiscalizadora

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

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

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
<b>Fixed rate</b>			
Less than 1 year	61,028	35,740	-
From 1 to 2 years	424	-	37,467
From 2 to 3 years	-	-	-
From 3 to 4 years	-	-	-
From 4 to 5 years	-	-	-
More than 5 years	1,345,276	1,17,326	997,646
	<u>1,406,728</u>	<u>1,207,066</u>	<u>1,035,113</u>
<b>Floating rate</b>			
Less than 1 year	42,115	23,285	46,855
From 1 to 2 years	5,000	15,111	-
From 2 to 3 years	-	3,445	-
From 3 to 4 years	-	-	-
From 4 to 5 years	-	-	-
More than 5 years	-	-	-
	<u>47,115</u>	<u>41,841</u>	<u>46,855</u>
	<u>1,453,843</u>	<u>1,248,907</u>	<u>1,081,968</u>

The carrying amount of current borrowings approximates fair value due to their short-term maturity.

At December 31, 2012, 2011 and January 1, 2011, the fair value of non-current borrowings amounts to \$ 1,220.22 million, \$ 1,061.08 million and \$ 905.44 million, respectively.

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

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
Argentine pesos	72,294	49,973	42,037
US dollars	1,381,549	1,198,934	1,039,931
	<u>1,453,843</u>	<u>1,248,907</u>	<u>1,081,968</u>

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

<b>Balance at 01.01.2011</b>	<u>1,081,968</u>
Principal borrowed	298,190
Principal repaid	(252,542)
Interest paid	(127,891)
Exchange difference and interest accrued	249,182
<b>Balance at 12.31.2011</b>	<u>1,248,907</u>
Principal borrowed	95,751
Principal repaid	(177,530)
Interest paid	(32,733)
Exchange difference and interest accrued	319,448
<b>Balance at 12.31.2012</b>	<u>1,453,843</u>

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PRICE WATERHOUSE & CO S.R.L.

  
DANIEL ABELOVICH  
por Comisión Fiscalizadora

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

The main features of the Company and each of its subsidiaries' borrowings are detailed below:

## THE COMPANY'S BORROWINGS

### Corporate notes programs

The Company is included in a Corporate Notes program, the relevant information of which is detailed below:

### Debt issued in United States dollars

Corporate Notes	Class	Rate	Year of Maturity	Million of USD				Million of \$	
				Debt structure at 01-01-11	Debt purchase in 2011	"Issuance 4-26-11"	Debt structure at 12-31-11	Debt structure at 12-31-12	At 12-31-12
Floating Rate Par Note	A	LIBO + 2	2019	12.66	(12.66)	-	-	-	-
Fixed Rate Par Note	7	10.50	2017	24.76	-	-	24.76	24.76	121.77
Fixed Rate Par Note (1)	9	9.75	2022	219.18	(41.45)	69.70	247.43	247.43	1,222.51
Total				<u>256.60</u>	<u>(54.11)</u>	<u>69.70</u>	<u>272.19</u>	<u>272.19</u>	<u>1,344.28</u>

(1) Net of issuance expenses.

### Debt issued in Argentine pesos

Corporate Notes	Class	Rate	Year of Maturity	Debt Structure (Million of \$)
				At 12.31.12
Floating Rate Par Note	8	BADLAR + 6,75	2013	11.66
Total				<u>11.66</u>

The Company used the net proceeds from the sale of the Corporate Notes in these offerings to refinance part of its short-term indebtedness, finance its capital expenditures plan and increase working capital.

### The main covenants are the following:

#### i. Negative Covenants

The terms and conditions of the Corporate Notes include a series of negative covenants that limit the Company's actions with regard to, among others, the following:

- > encumbrance or authorization to encumber its property or assets;
- > incurrence of indebtedness, in certain specified cases;
- > sale of the Company's assets related to its main business;

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PRICE WATERHOUSE & CO S.R.L.

  
DANIEL ABELOVICH  
por Comisión Fiscalizadora

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

- > carrying out of transactions with shareholders or related companies;
- > making certain payments (including, among others, dividends, purchases of Edenor's common shares or payments on subordinated debt).

ii. Suspension of Covenants:

Certain negative covenants stipulated in the terms and conditions of the Corporate Notes will be suspended or adjusted if:

The Company's long-term debt rating is raised to Investment Grade, or the Company's Level of Indebtedness is equal to or lower than 2.5.

If the Company subsequently loses its Investment Grade rating or its Level of Indebtedness is higher than 2.5, as applicable, the suspended negative covenants will be once again in effect.

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

#### EDENOR'S FINANCIAL LOANS

In August 2011, the Company took out a financial loan from Banco Ciudad for a principal amount of \$ 5.8 million accruing interest at an annual rate of 14.8% and falling due on February 6, 2012. Interest is paid on a monthly basis as from August 31, 2011. At the closing date of these consolidated financial statements, the Company entered into an Addendum with Banco Ciudad pursuant to which the maturity date of the aforementioned loan is extended to February 2014.

Additionally, in March and June 2011, the Company took out loans from Banco de la Provincia de Buenos Aires for a total principal amount of \$ 22 million accruing interest at an annual rate of 14% and falling due in March 2012, May 2012 and June 2014. Interest is paid on a monthly basis.

At December 31, 2012 and 2011, the outstanding balance under the aforementioned loans amounts to \$ 1.17 million and \$ 13.86 million respectively.

#### AESEBA'S FINANCIAL LOANS

##### Loans

On March 4, 2011, EDEN S.A. made an early repayment of the balance outstanding at that date under the financial loan granted by Standard Bank Argentina S.A. and HSBC Argentina S.A. Such repayment was made with the Distribution Company's own funds and the proceeds of a loan in local currency for \$ 80 million granted at that date to EDEN S.A. by the Company. As stipulated in the original loan agreement, the loan accrues interest at an annual nominal rate of 16% with both principal and interest falling due on April 30, 2011.

On April 29, 2011, EDEN S.A. agreed with the Company to extend the maturity date of the loan to April 30, 2012, having paid at that time interest accrued through April 30, 2011 for \$ 2 million. Additionally, the

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PRICE WATERHOUSE & CO S.R.L.

  
DANIEL ABELOVICH  
por Comisión Fiscalizadora

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

new agreement stipulates that interest will be paid semi-annually in arrears, with the first installment falling due on October 31, 2011.

Furthermore, on November 3, 2011, EDEN S.A. entered into an agreement with the Company for the granting of a USD 3.1 million one-year term loan to be applied to the settlement of the debt with the management operator. As stipulated in the agreement, the loan accrues compensatory interest at an annual nominal rate of 8.5% payable quarterly, with principal falling due at maturity.

On February 10, 2012, EDEN entered into an agreement with Banco Nación Argentina for the granting of a \$ 60 million two-year term loan. The loan accrues compensatory interest at the Badlar rate plus 400 basis points, with principal and interest payments falling due on a monthly basis. Such amount was applied to the repayment of the financial loan granted by Edenor.

On June 22, 2012, Empresa Distribuidora de Energía Norte S.A. entered into an overdraft agreement with Banco Santander Rio, the main aspects of which are as follow: (i) the Bank will grant financial assistance for a maximum amount of up to \$ 35 million to be provided by means of three applications under the overdraft agreement; (ii) the funds will be mainly used to refinance working capital; (iii) the final maturity of the funds will be as follow: two applications for \$ 5 million each, on July 23, 2012 and August 21, 2012, respectively; the remaining application, for an amount of \$ 25 million, will fall due on February 27, 2013; (iv) the funds will accrue compensatory interest at an annual nominal rate (ANR) of 16.50%; 16.75% and 21.75% respectively, which will be fixed during the term of each application under the overdraft agreement; (v) Empresa Distribuidora de Energía Norte S.A. will pay late payment/default interest at an annual nominal rate equivalent to 50% of the applicable interest rate if it does not pay amounts when due or fails to comply with any of its payment obligations.

On April 13, 2012, EDEN Shareholders' Meeting approved: (i) the creation of a short-term debt securities program of up to \$200,000,000 (or its equivalent in other currencies) outstanding at any time, in the form of unsecured, subordinated or not, with or without limited recourse, and with or without third-party guarantee short-term (simple, non-convertible into shares) corporate notes, promissory notes and/or short-term securities, under the special system of short-term debt securities established in the CNV's Regulations, (ii) the issuance, in the framework of the Program, of unsecured, subordinated or not, with or without limited recourse, and with or without third-party guarantee short-term (simple, non-convertible into shares) corporate notes for up to the maximum amount of the Program outstanding at any time, to be issued in one or more classes and/or series and denominated in pesos and/or in any other currency, and (iii) the consideration of the application for the registration of the company in the special registry for the issuance and public offering, to qualified investors only, of short-term debt securities.

On June 26, 2012, the CNV informed about the registration of the application made by the Subsidiary Company in accordance with that mentioned in the preceding paragraph. As of the date of these Financial Statements, the Program's approval is in process.

  
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Véase nuestro informe de fecha 8/3/2013  
PRICE WATERHOUSE & CO S.R.L.

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

**25. Salaries and social security**

a) Salaries and social security taxes payable

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
<b>Non-current</b>			
Early retirements payable	1,983	5,526	6,845
Seniority-based bonus	<u>15,477</u>	<u>18,065</u>	<u>12,432</u>
<b>Total non-current</b>	<u><u>17,460</u></u>	<u><u>23,591</u></u>	<u><u>19,277</u></u>
<b>Current</b>			
Salaries payable and provisions	327,568	260,007	160,616
Social security taxes payable	53,018	10,536	13,651
Early retirements payable	<u>3,721</u>	<u>5,246</u>	<u>6,165</u>
<b>Total current</b>	<u><u>384,307</u></u>	<u><u>275,789</u></u>	<u><u>180,432</u></u>

b) Salaries and social security taxes expenses

	<u>12.31.12</u>	<u>12.31.11</u>
Salaries	663,434	480,948
Social security taxes	<u>220,352</u>	<u>189,448</u>
<b>Total salaries and social security taxes</b>	<u><u>883,786</u></u>	<u><u>670,396</u></u>

Early retirements payable correspond to individual optional agreements. After employees reach a specific age, the Company may offer them this option. The related accrued liability represents future payment obligations which at December 31, 2012, 2011 and January 1, 2011, amount to \$ 3.72 million, \$ 5.25 million and \$ 6.17 million (current) and \$ 1.98 million, \$ 5.53 million and \$ 6.85 million (non-current), respectively.

A seniority-based bonus to be granted to employees with a certain number of years of service, as stipulated in collective bargaining agreements in effect. As of December 31, 2012, 2011 and January 1° 2011, the accrual for such bonuses amounted to \$ 15.48 million, \$ 18.07 million and \$ 12.43 million, respectively.

At December 31, 2012, 2011 and January 1, 2011, the number of contracted employees amounts to 2,966, 2,836 and 2,687, respectively.

**26. Benefit plans**

Benefit plans grants to employees which certain age and in condition to be retired under ordinary pension plan.

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

Véase nuestro informe de fecha 8/3/2013  
PRICE WATERHOUSE & CO S.R.L.

  
DANIEL ABELOVICH  
por Comisión Fiscalizadora

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
Non-current	97,436	83,503	41,492
Current	14,968	11,326	-
<b>Total Benefit plans</b>	<b><u>112,404</u></b>	<b><u>94,829</u></b>	<b><u>41,492</u></b>

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

	<u>12.31.12</u>	<u>12.31.11</u>
Benefit payment obligations at beginning of year (1)	94,829	73,155
Current service cost	5,134	3,211
Interest cost	25,892	12,436
Actuarial losses	(4,701)	13,764
Benefits paid to participating employees	(8,750)	(7,737)
<b>Benefit payment obligations at end of year</b>	<b><u>112,404</u></b>	<b><u>94,829</u></b>

(1) Include \$ 31.67 million related to EDEN S.A. business combination.

**The breakdown of the benefit obligations by segments is as follow:**

**Segment information:**

EDENOR	67,104	58,666
AESEBA	45,300	36,163
	<b><u>112,404</u></b>	<b><u>94,829</u></b>

At December 31, 2012, 2011 and January 1, 2011, the Company does not have any assets related to the benefit plans or post-retirement benefits.

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

	<u>12.31.12</u>	<u>12.31.11</u>
Cost	5,134	3,211
Interest	25,892	12,436
	<b><u>31,026</u></b>	<b><u>15,647</u></b>

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

	<u>12.31.12</u>	<u>12.31.11</u>
Discount rate	6%	6%
Salary increase	2%	2%
Inflation	22%	29%

  
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PRICE WATERHOUSE & CO S.R.L.

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

The following information shows the effect of a 1% variation in the discount rate for the projection at December 31, 2012 and 2011:

	<u>Changes in assumptions</u>	<u>Increase in assumptions</u>	<u>Decrease in assumptions</u>
Discount rate	1%	6.75%	5.93%
Salary growth rate	1%	6.28%	5.56%

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

In order to determine the mortality of Edenor active personnel, the "Group Annuity Mortality of the year 1971" has been used. In general, a mortality table shows for each age group the probability that a person in any such age group will die before reaching a predetermined age. Male and female mortality tables are elaborated separately inasmuch as men and women's mortality rates are substantially different.

In order to estimate total and permanent disability due to any cause, 80% of the "1985 Pension Disability Study" table has been used.

In order to estimate the probability that Edenor S.A. active personnel will leave the Company or stay therein, the "ESA 77" table has been used.

Liabilities related to the above-mentioned benefit plans have been determined contemplating all the rights accrued by the beneficiaries of the plans through the closing date of the year ended December 31, 2012.

## 27. Income tax and tax on minimum presumed income

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

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
<i>Deferred tax assets:</i>			
Deferred tax assets to be recovered in more than 12 months	366,307	131,421	172,147
Deferred tax assets to be recovered in less than 12 months	7,044	6,205	18,562
	<u>373,351</u>	<u>137,626</u>	<u>190,709</u>
<i>Deferred tax liabilities:</i>			
Deferred tax liabilities to be recovered in more than 12 months	(590,145)	(471,129)	(436,502)
Deferred tax liabilities to be recovered in less than 12 months	(13,617)	(15,246)	(4,486)
	<u>(603,762)</u>	<u>(486,375)</u>	<u>(440,988)</u>

Véase nuestro informe de fecha 8/3/2013  
PRICE WATERHOUSE & CO S.R.L.

  
DANIEL ABELOVICH  
por Comisión Fiscalizadora

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

The rollforward of deferred tax assets and liabilities considered at December 31, 2012 and 2011, respectively, is detailed below:

<b>Balance at January 1, 2011</b>	<b>(250,279)</b>
Charged to the statement of comprehensive loss	(114,147)
Charged to other comprehensive loss	10,192
Effect for acquisition of subsidiaries net of subsidiaries classified as held for sale 5.485	
<b>Balance at December 31, 2011</b>	<b>(348,749)</b>
Charged to the statement of comprehensive loss	119,984
Charged to other comprehensive loss	(1,646)
<b>Balance at December 31, 2012</b>	<b>(230,411)</b>

**Deferred tax liabilities:**

	<b>Total</b>	<b>Property, plant and equipment and Other</b>
<b>Balance at January 1, 2011</b>	<b>440,988</b>	<b>440,988</b>
Charged to the statement of comprehensive loss	45,387	45,387
<b>Balance at December 31, 2011</b>	<b>486,375</b>	<b>486,375</b>
Charged to the statement of comprehensive loss	117,387	117,387
<b>Balance at December 31, 2012</b>	<b>603,762</b>	<b>603,762</b>

	<b>Accrued provisions and provisions for provisions for</b>			
	<b>Total</b>	<b>impairment</b>	<b>Tax losses carryforward</b>	<b>Other</b>
<b>Deferred tax assets:</b>				
<b>Balance at January 1, 2011</b>	<b>190,709</b>	<b>178,681</b>	<b>11,586</b>	<b>442</b>
Business combinations	5,485	5,485	-	-
Charged to the statement of comprehensive loss	(68,760)	(56,770)	(11,586)	(404)
Charged to other comprehensive loss	10,192	10,192	-	-
<b>Balance at December 31, 2011</b>	<b>137,626</b>	<b>137,588</b>	<b>-</b>	<b>38</b>
Charged to the statement of comprehensive loss	237,371	237,356	-	15
Charged to other comprehensive loss	(1,646)	(1,646)	-	-
<b>Balance at December 31, 2012</b>	<b>373,351</b>	<b>373,298</b>	<b>-</b>	<b>53</b>

The detail of the income tax charge is disclosed below:

	<b>12.31.2012</b>	<b>12.31.2011</b>
Current tax	4,602	40,266
Deferred tax	(119,985)	114,147
Difference between provision and tax return	15,604	(1,442)
<b>Income tax</b>	<b>(99,779)</b>	<b>152,971</b>

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PRICE WATERHOUSE & CO S.R.L.

  
DAMIEN ABELOVICH  
por Comisión Fiscalizadora

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

The reconciliation between income tax as charged to the results of operations and the amount that would result from applying the tax rate in effect to the results of operations before taxes, is as follows:

	<u>12.31.2012</u>	<u>12.31.2011</u>
Loss before income tax	(1,090,828)	1,121
<b>Subtotal</b>	<b>(1,090,828)</b>	<b>1,121</b>
Applicable tax rate	35%	35%
<b>(Loss) Profit at the tax rate</b>	<b>(381,790)</b>	<b>392</b>
Tax effects of:		
Unrecognized losses carryforward	262,059	149,011
Permanent differences	4,348	5,010
Difference between provision and tax return	15,604	(1,442)
<b>Income tax</b>	<b>(99,779)</b>	<b>152,971</b>

Tax losses carryforward in effect and not recognized in the financial statements, in accordance with that mentioned in Note 1, are as follow:

<b>Tax loss carryforward</b>	<u>Amount</u>	<u>Rate 35%</u>	<u>Year of expiration</u>
Generated in fiscal year 2008	70	25	2013
Generated in fiscal year 2009	12,134	4,247	2014
Generated in fiscal year 2010	25,048	8,767	2015
Generated in fiscal year 2011	262,997	92,049	2016
Generated in fiscal year 2012	932,712	326,449	2017
<b>Total tax loss carryforward al December 31, 2012</b>	<b><u>1,232,961</u></b>	<b><u>431,537</u></b>	

Additionally, at December 31, 2012, the minimum presumed income tax receivable of \$ 26.2 million have been disclosed in other non-current receivables.

The detail of the aforementioned receivable is as follows.

<b>Minimum presumed income tax receivable</b>	<u>Amount</u>	<u>Year of expiration</u>
Generated in fiscal year 2010	17,330	2020
Generated in fiscal year 2011	34,683	2021
Generated in fiscal year 2012	35,805	2022
	<b><u>87,818</u></b>	

  
DANIEL ABELOVICH  
por Comisión Fiscalizadora

Véase nuestro informe de fecha 8/3/2013  
PRICE WATERHOUSE & CO S.R.L.

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

**28. Taxes liabilities**

	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
<b>Non-current:</b>			
Tax regularization plan Law No. 26,476	9,971	17,652	8,979
<b>Total Non-current</b>	<u><b>9,971</b></u>	<u><b>17,652</b></u>	<u><b>8,979</b></u>
<b>Current:</b>			
Provincial, municipal and federal contributions and taxes	88,720	44,130	32,024
VAT payable	21,204	14,196	30,901
Income tax and tax on minimum presumed income (net of advances and payments on account)	4,525	19,093	-
Withholdings taxes	35,873	20,358	9,798
Municipal taxes	40,462	36,855	27,159
Tax regularization plan Law No. 26,476	2,825	1,415	1,364
Other	8,937	11,676	9,834
<b>Total Current</b>	<u><b>202,546</b></u>	<u><b>147,723</b></u>	<u><b>111,080</b></u>

**29. Leases**› **As lessee**

The features that these lease contracts have in common are that lease payments (installments) are established as fixed amounts; there are neither purchase option clauses nor renewal term clauses (except for the lease contract of the Energy Handling and Transformation Center that has an automatic renewal clause for the term thereof); and there are prohibitions such as: transferring or sub-leasing the building, changing its use and/or making any kind of modifications thereto. All operating lease contracts have cancelable terms and lease periods of 2 to 13 years.

Among them the following can be mentioned: commercial offices, two warehouses, the headquarters building (comprised of administration, commercial and technical offices), the Energy Handling and Transformation Center (two buildings and a plot of land located within the perimeter of Central Nuevo Puerto and Puerto Nuevo) and Las Heras substation.

At December 31, 2012, 2011 and January 1, 2011, future minimum payments with respect to operating leases are as follow:

  
DANIEL ABELOVICH  
por Comisión Fiscalizadora

Véase nuestro informe de fecha 8/3/2013  
PRICE WATERHOUSE & CO S.R.L.

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

	12.31.12	12.31.11	01.01.11
2011	-	-	6,748
2012	-	12,101	8,659
2013	16,653	9,483	8,470
2014	17,006	9,087	8,406
2015	9,657	3,127	2,900
2016	4,943	147	147
2017	4,753	147	-
2018	147	-	-
<b>Total minimum future payments</b>	<b>53,159</b>	<b>34,092</b>	<b>35,330</b>

Total rental expenses for all operating leases for the years ended December 31, 2011 and 2012 are as follow:

	12.31.12	12.31.11
<b>Total lease expenses</b>	<b>14,687</b>	<b>11,751</b>

› **As lessor**

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

At December 31, 2012, 2011 and January 1, 2011, future minimum lease collections with respect to operating leases are as follow:

	12.31.12	12.31.11	01.01.11
2011	-	-	20,898
2012	-	26,836	1,924
2013	42,817	24,383	89
2014	3,299	22	20
2015	146	-	-
2016	-	-	-
2017	-	-	-
2018	-	-	-
<b>Total future minimum lease collections</b>	<b>46,262</b>	<b>51,241</b>	<b>22,931</b>

Véase nuestro informe de fecha 8/3/2013  
PRICE WATERHOUSE & CO S.R.L.

  
DANIEL ABELOVICH  
por Comisión Fiscalizadora

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

Total rental income for all operating leases for the years ended December 31, 2011 and 2012 is as follows:

	<u>12.31.12</u>	<u>12.31.11</u>
<b>Total lease income</b>	<b>34,762</b>	<b>22,511</b>

The information contained in this note relates exclusively to Edenor S.A. as the effect of the Subsidiaries is not significant.

### 30. Provisions

	<u>Non-current liabilities</u>	<u>Current liabilities</u>
	<u>Contingencies</u>	<u>Contingencies</u>
<b>Balances at beginning of year 01.01.11</b>	<b>6,816</b>	<b>57,832</b>
Balances incorporates for acquisitions of companies	2,751	17,169
Increases	4,490	3,604
Decreases	(1,454)	(14,720)
Reclassifications	53,541	(53,541)
<b>Balances at end of year 31.12.11</b>	<b>66,144</b>	<b>10,344</b>
Increases	13,700	12,742
Increases related companies	-	-
Decreases	-	(12,418)
Reclassifications	175	(175)
<b>Balances at end of year 31.12.12</b>	<b>80,019</b>	<b>10,493</b>

### 31. Revenue from sales

	<u>12.31.12</u>	<u>12.31.11</u>
Sales of Electricity	3,679,264	2,771,226
Right of use on poles	39,012	26,604
Connection charges	4,951	5,631
Reconnection charges	2,029	2,356
	<b>3,725,256</b>	<b>2,805,817</b>

  
DANIEL ABELOVICH  
por Comisión Fiscalizadora

Véase nuestro informe de fecha 8/3/2013  
PRICE WATERHOUSE & CO S.R.L.

  
Socio  
C.P.C.E.C.A.B.A. Tº 245 - Fº 61

### 32. Expenses by nature

The detail of expenses by nature (including those relating to discontinued operations) is as follows:

Description	12.31.11			
	Transmission and distribution expenses	Selling expenses	Administrative expenses	Total
Salaries and social security taxes	582,365	161,840	139,581	883,786
Pension plan	13,324	3,368	14,334	31,026
Communication expenses	7,890	20,852	3,860	32,602
Allowance for doubtful accounts	-	18,520	-	18,520
Supplies consumption	93,130	-	6,513	99,643
Rent and insurance	5,120	-	18,504	23,624
Security services	11,839	3,430	4,570	19,839
Fees and remuneration for services	495,328	170,534	78,326	744,188
Maintenance expenses	32,815	-	11,574	44,389
Public relations and marketing	-	-	4,808	4,808
Advertising and sponsorship	-	-	2,477	2,477
Reimbursement to personnel	1,640	359	1,105	3,104
Depreciation of property, plant and equipment	187,454	7,165	3,252	197,871
Amortization of intangible assets	24,891	-	-	24,891
Directors and Supervisory Committee members' fees	-	-	2,695	2,695
ENRE penalties	113,632	11,018	-	124,650
Taxes and charges	-	32,506	3,516	36,022
Other	644	811	1,289	2,744
<b>Total at 12.31.2012</b>	<b>1,570,072</b>	<b>430,403</b>	<b>296,404</b>	<b>2,296,879</b>

The expenses included in the chart above are net of the Company's own expenses capitalized in property, plant and equipment at December 31, 2012 for \$ 107.54 million.

  
DANIEL ABELOVICH  
por Comisión Fiscalizadora

Véase nuestro informe de fecha 8/3/2013  
PRICE WATERHOUSE & CO S.R.L.

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

Description	12.31.11			
	Transmission and distribution expenses	Selling expenses	Administrative expenses	Total
Salaries and social security taxes	462,747	110,273	97,376	670,396
Pension plan	10,801	2,574	2,272	15,647
Communication expenses	6,714	16,579	4,401	27,694
Allowance for doubtful accounts	-	10,808	-	10,808
Supplies consumption	57,225	1,152	3,288	61,665
Rent and insurance	4,124	527	14,545	19,196
Security services	8,159	2,281	3,803	14,243
Fees and remuneration for services	249,525	129,261	62,680	441,466
Maintenance expenses	11,583	-	4,086	15,669
Public relations and marketing	-	-	11,212	11,212
Advertising and sponsorship	-	392	5,857	6,249
Reimbursement to personnel	1,507	314	1,059	2,880
Depreciation of property, plant and equipment	183,159	1,997	2,737	187,893
Amortization of intangible assets	20,093	-	-	20,093
Directors and Supervisory Committee members' fees	-	-	4,868	4,868
ENRE penalties	74,753	6,305	-	81,058
Taxes and charges	-	26,992	2,101	29,093
Other	4,435	857	4,031	9,323
<b>Total at 12.31.2011</b>	<b>1,094,825</b>	<b>310,312</b>	<b>224,316</b>	<b>1,629,453</b>

The expenses included in the chart above are net of the Company's own expenses capitalized in property, plant and equipment at December 31, 2011 for \$ 76.89 million.

### 33. Other operating income / (expense)

	12.31.12	12.31.11
<b>Other operating income</b>		
Services provided to third parties	15,866	14,898
Commissions on municipal taxes collection	6,650	5,387
Other net income with Related Companies	2,790	352
Recovery of tax credits	5,112	6,606
Others	2,918	658
<b>Total other operating income</b>	<b>33,336</b>	<b>27,901</b>

  
DANIEL ABELOVICH  
por Comisión Fiscalizadora

Véase nuestro informe de fecha 8/3/2013  
PRICE WATERHOUSE & CO S.R.L.

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

	<u>12.31.12</u>	<u>12.31.11</u>
<b>Other operating expense</b>		
Net expense from technical services	(10,598)	(5,148)
Cost for services provided to third parties	(13,688)	(8,013)
Voluntary Retirements - Bonuses	(10,126)	(10,897)
Severance paid	(4,819)	(5,844)
Impairment of other receivables (Note 40)	(37,266)	-
Provision for contingencies	(26,442)	(8,094)
Disposals of property, plant and equipment	(1,886)	(1,878)
Disposals of intangible assets	(7,962)	(10,737)
Transaction costs	-	(4,269)
<b>Total other operating expense</b>	<b><u>(112,787)</u></b>	<b><u>(54,880)</u></b>

### 34. Net financial expense

	<u>12.31.12</u>	<u>12.31.11</u>
Financial income		
Late payment charges	29,130	31,269
Interest	56,879	24,299
<b>Total financial income</b>	<b><u>86,009</u></b>	<b><u>55,568</u></b>
Financial expenses		
Financial interest (1)	(160,757)	(156,958)
Fiscal interest	(11,920)	(2,501)
Commercial interest	(64,501)	(5,137)
Bank fees and expenses	(59,670)	(51,527)
<b>Total financial expenses</b>	<b><u>(296,848)</u></b>	<b><u>(216,123)</u></b>
<b>Other financial results</b>		
Exchange differences	(194,087)	(102,822)
Adjustment to present value of retroactive tariff increase arising from the application of the new electricity rate schedule and other trade receivables	421	1,170
Changes in fair value of financial instruments	39,053	13,296
Gain from the purchase of financial debt	-	6,546
Other financial results	(12,085)	(15,404)
<b>Total other financial results</b>	<b><u>(166,698)</u></b>	<b><u>(97,214)</u></b>
<b>Total net financial expense</b>	<b><u>(377,537)</u></b>	<b><u>(257,769)</u></b>

(1) Net of financial costs capitalized for the years ended December 31, 2012 and 2011, amounted to \$ 107.54 million and \$ 76.89 million, respectively.

  
 DANIEL ABELOVICH  
 por Comisión Fiscalizadora

Véase nuestro informe de fecha 8/3/2013  
 PRICE WATERHOUSE & CO S.R.L.

  
 Socio  
 C.P.C.E.C.A.B.A. T° 245 - F° 61

**35. Gain (losses) per share****Basic**

The basic losses per share are computed by dividing the result attributable to the holders of the Company's equity instruments by the weighted average number of common shares outstanding at December 31, 2012 and 2011, excluding treasury shares acquired by the Company (Notes 4.26 and 19).

**Diluted**

Diluted losses per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There are no losses per share dilution, as the Company has issued neither preferred shares nor corporate notes convertible into common shares.

	12.31.12		12.31.11	
	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations
Loss for the year attributable to the parent	(1,000,621)	(15,849)	(157,675)	(146,382)
Weighted average number of thousands common shares outstanding	897,043	897,043	897,043	897,043
<b>Basic and diluted (loss) gain per share – in pesos</b>	<b>(1.12)</b>	<b>(0.02)</b>	<b>(0.17)</b>	<b>(0.16)</b>

The Company has not issued any stock option.

**36. Transactions among related parties**

Transactions carried out among related parties are as follow:

*a. Income***EDENOR**

Companies	Description	12.31.12	12.31.11
CYCSA	Other income	2,790	352
PYSSA	Interest	-	25
PESA	Interest	5,572	-
		<b>8,362</b>	<b>377</b>

Véase nuestro informe de fecha 8/3/2013  
PRICE WATERHOUSE & CO S.R.L.

  
DANIEL ABELOVICH  
por Comisión Fiscalizadora

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

**b. Expense**

**EDENOR**

<u>Companies</u>	<u>Description</u>	<u>12.31.12</u>	<u>12.31.11</u>
EASA	"Technical advisory services on financial matters"	(11,325)	(10,300)
SACME	Implementation of operative system	(10,883)	(8,009)
Errecondo, Salaverri, Dellatorre, Gonzalez & Burgio	Legal fees	(685)	(3,534)
PYSSA	Financial and granting of loan services to customers	(74)	(90)
PESA	Financing expenses and costs	-	(1,760)
		<u>(22,967)</u>	<u>(23,693)</u>

**EDEN**

<u>Companies</u>	<u>Description</u>	<u>12.31.12</u>	<u>12.31.11</u>
EASA	Financing expenses and costs	(15,461)	(10,969)
EASA	Exchange difference on commercial debts	(790)	-
CTG	Electric power purchase	(2,495)	(307)
CPB	Electric power purchase	(13,689)	(1,109)
		<u>(32,435)</u>	<u>(12,385)</u>

Balances carried out among related parties are as follow:

*c. Financial assets at fair value, receivables and payables*

**EDENOR**

<u>Companies</u>	<u>12.31.12</u>	<u>12.31.11</u>	<u>01.01.11</u>
Financial assets at fair value			
Transener S.A.	-	-	17,527
	<u>-</u>	<u>-</u>	<u>17,527</u>
Other receivables			
SACME	9,007	8,068	4,168
PESA (Note 40)	43,285	179	-
PYSSA	-	35	1
	<u>52,292</u>	<u>8,282</u>	<u>4,169</u>

  
 DANIEL ABELOVICH  
 por Comisión Fiscalizadora

Véase nuestro informe de fecha 8/3/2013  
 PRICE WATERHOUSE & CO S.R.L.

  
 Socio  
 C.P.C.E.C.A.B.A. T° 245 - F° 61

**EDENOR**

<b>Companies</b>	<b>12.31.12</b>	<b>12.31.11</b>	<b>01.01.11</b>
Trade payables			
EASA	-	(1,080)	-
PYSSA	-	(8)	(8)
	<u>-</u>	<u>(1,088)</u>	<u>(8)</u>
Other liabilities			
SACME	(2,375)	(1,317)	(1,392)
PESA	(7)	(9,252)	-
	<u>(2,382)</u>	<u>(10,569)</u>	<u>(1,392)</u>

**EDEN**

<b>Companies</b>	<b>12.31.12</b>	<b>12.31.11</b>	<b>01.01.11</b>
Trade payables			
POWERCO	(873)	(5)	-
EASA	(11,178)	(2,561)	-
CTG	(488)	(343)	-
CPB	(1,718)	(68)	-
	<u>(14,257)</u>	<u>(2,977)</u>	<u>-</u>

**AESEBA**

<b>Companies</b>	<b>12.31.12</b>	<b>12.31.11</b>	<b>01.01.11</b>
Other liabilities - Dividends			
PISA	-	(5,028)	-
	<u>-</u>	<u>(5,028)</u>	<u>-</u>

*d. Key management personnel's remuneration*

	<b>12.31.12</b>	<b>12.31.11</b>	<b>01.01.11</b>
Salaries	32,648	29,128	21,618
	<u>32,648</u>	<u>29,128</u>	<u>21,618</u>

Véase nuestro informe de fecha 8/3/2013  
PRICE WATERHOUSE & CO S.R.L.

  
DANIEL ABELOVICH  
por Comisión Fiscalizadora

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

Other receivables with related parties are not secured and do not accrue interest. No allowances have been recorded for these concepts in any of the periods covered by these financial statements.

The main agreements entered into with related parties are as follow:

*(a) Agreement with Comunicaciones y Consumos S.A.*

During 2007 and 2008, the Company and Comunicaciones y Consumos S.A. (CYCSA) entered into agreements pursuant to which the Company granted CYCSA the exclusive right to provide telecommunications services to the Company customers through the use of the Company's network in accordance with the provisions of Decree No. 764/2000 of the Federal Government, which contemplates the integration of voice, data and image transmission services through the existing infrastructure of electricity distribution companies such as the Company's network, as well as the right to use the poles and towers of overhead lines under certain conditions. Additionally, the Company has the right to use part of the optical fiber capacity. In accordance with the terms of the agreement, CYCSA will be responsible for all maintenance expenses and expenses related to the adapting of the Company's network for the rendering of such telecommunications services. The term of the agreement, which was originally ten years to commence from the date on which CYCSA were granted the license to render telecommunications services, was subsequently extended to 20 years by virtue of an addendum to the agreement. In consideration of the use of the network, CYCSA grants the Company 2% of the annual charges collected from customers, before taxes, as well as 10% of the profits obtained from provision of services.

*(b) Agreement with Préstamos y Servicios S.A.*

The agreement grants Préstamos y Servicios S.A. (PYSSA) the exclusive right to conduct its direct and marketing services through the use of the Company's mailing services. The agreement established that its term was subject to the authorization of the National Regulatory Authority for the Distribution of Electricity, which approved this through Resolution ENRE No. 381/2007.

The activities related to the aforementioned agreement have been temporarily suspended in the Company's offices.

*(c) Agreement with Electricidad Argentina S.A.*

The agreement stipulates the provision to the Company of technical advisory services on financial matters as from September 19, 2005 for a term of five years, which has been extended for another 5 years until 2015. In consideration of these services, the Company pays EASA an annual amount of USD 2.5 million. Any of the parties may terminate the agreement at any time by giving 60 days' notice, without having to comply with any further obligations or paying any indemnification to the other party.

*(d) Loan with subsidiaries and related companies (Section 33 Law No. 19,550)*

*Loan with Pampa Energía S.A.*

On March 4, 2011, the Company and Pampa Energía S.A. entered into an agreement pursuant to which the Company would receive a USD 5 million two-year term loan at an annual rate of 5%. The loan was

Véase nuestro informe de fecha 8/3/2013  
PRICE WATERHOUSE & CO S.R.L.

  
DANIEL ABELOVICH  
por Comisión Fiscalizadora

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

used to finance several investments that the Company intended to make in accordance with its business plan. This loan was repaid on November 3, 2011.

#### *Loan with subsidiaries*

On April 29, 2011, the Company entered into an agreement with EDEN, EDESAL, EDELAR and EDESA for the refinancing of the loans granted to them at the time of acquisition with the purpose of allowing for the restructuring of their financial loans, for \$ 80 million in the case of EDEN, \$ 31.178 million in the case of EDELAR, \$ 131.320 million in the case of EDESA and \$ 37.503 million in the case of EDESAL, at an annual nominal rate of 16% on each of them, with interest falling due semiannually on October 31, 2011 and April 30, 2012. The one-year term loans fall due on April 30, 2012. The financing conditions are in accordance with those usually obtained in the market for this type of transactions.

At December 31, 2012, the Company recorded an allowance of \$ 37.266 million for the total amount of the loan granted to EDELAR, as it considers it unlikely that such subsidiary, considering its current cash flows, will comply with payment when due.

With the exception of the previously mentioned loan to EDELAR, at the date of issuance of these Financial Statements, the other loans have been totally repaid by the Subsidiaries.

Furthermore, on November 3, 2011, the Company granted a loan to EDEN for USD 3.1 million at an annual nominal rate of 8.50% and final maturity on November 2, 2012.

During November 2012, the Company granted loans to EMDERSA for a total amount of \$ 0.60 million that fall due on May 31, 2013 and November 20, 2013, and accrue at an annual rate of 16%.

### **37. Transactions with non-controlling interest**

In the June-December 2011 period, in successive market transactions, the Company acquired 2,951,000, 281,294 and 15,000 common shares of EMDERSA, representing 1.25%, 0.12% and 0.0064% of that company's capital stock and votes, respectively. In this manner, the Company has increased its interest in EMDERSA to 78.56%. The Company derecognized \$ 9.86 million of non-controlling interest and recorded an increase in equity attributed to the owners of the parent of \$ 3.45 million.

	<u>12.31.12</u>	<u>12.31.11</u>
Carrying amount of non-controlling interest acquired	-	9,861
Consideration paid to non-controlling interest	-	(6,409)
<b>Defect of consideration paid recognised in parent's equity</b>	<u>-</u>	<u>3,452</u>

  
DANIEL ABELOVICH  
por Comisión Fiscalizadora

Véase nuestro informe de fecha 8/3/2013  
PRICE WATERHOUSE & CO S.R.L.

  
Socio  
C.P.C.E.C.A.B.A. T° 245 - F° 61

### 38. Business combinations

#### Acquisition of EMDERSA and AESEBA

On March 4, 2011, the Company's Board of Directors approved an offer from its indirect controlling company Pampa Energía S.A. ("Pampa"), pursuant to which the Company was offered the possibility of acquiring certain electricity distribution assets, which Pampa was entitled to acquire (either directly or through one or more subsidiaries), from Grupo AEI in accordance with an agreement entered into on January 19, 2011 by and between Pampa, party of the first part, and AEI Utilities, S.L., a limited company (sociedad limitada) organized under the laws of Spain ("AEIU"), AEI Servicios Argentina S.A., a corporation (sociedad anónima) organized under the laws of Argentina, and AEI, a company organized under the laws of the Cayman Islands, parties of the second part.

As a consequence of the acceptance by the Company of said offer, Edenor S.A. was appointed by Pampa as the acquiring party under the PESA-AEI Agreement. Therefore, on March 4, 2011, the Company acquired from AEIU (i) 182,224,095 common shares of EMDERSA S.A. ("Emdersa"), representing 77.19% of Emdersa's capital stock and votes ("Emdersa Shares"), (ii) 2 common shares of Empresa Distribuidora de San Luis S.A. ("Edesal") representing 0.01% of Edesal's capital stock and votes, (iii) 600 common shares of Emdersa Generación Salta S.A. ("EGSSA") representing 0.02% of EGGSA's capital stock and votes, (iv) 1 common share of Empresa Distribuidora de Electricidad de la Rioja S.A. ("EDELAR") representing 0.01% of EDELAR's capital stock and votes, (v) 1 common share of Empresa de Sistemas Eléctricos Abiertos S.A. ("ESED") representing 0.01% of ESED's capital stock and votes, (all the shares mentioned in items (ii) through (v) hereinafter referred to as the "Residual Shares") and (vi) 29,118,127 common shares of AESEBA S.A. representing 99.99% of AESEBA's capital stock and votes ("AESEBA's Shares"). The price paid by the Company for the aforementioned assets amounted to USD 90,000 thousand for Emdersa's Shares and the Residual Shares acquired from AEIU and to USD 49,998 thousand for AESEBA's Shares acquired from AEIU.

Emdersa holds: (i) 99.99% of EDESAL's capital stock and votes, (ii) 90% of the capital stock and votes of Empresa Distribuidora de Electricidad de Salta S.A. ("EDESAL"), (iii) 99.98% of EGSSA's capital stock and votes, and (iv) 99.99% of EDELAR's capital stock and votes. EDESA holds 99.99% of ESED's capital stock and votes. Furthermore, AESEBA in turn holds 90% of the capital stock and votes of Empresa Distribuidora de Energía Norte, S.A. ("EDEN"), which provides electricity distribution services in the northern and central parts of the Province of Buenos Aires.

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

In order to evaluate the above described transaction, the Company engaged the services of the investment bank Citigroup Global Markets Inc. ("Citigroup") to render a fairness opinion to the Company's Board of Directors, concerning the fairness of the price that would have to be paid for Emdersa's shares, the Residual shares and AESEBA's shares. The opinion of the Company's Audit Committee was also

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requested. Both Citigroup and the Company's Audit Committee rendered their opinion, prior to the acquisition, stating that the informed values were adequate and within the market's parameters.

In compliance with current regulations, the Company has formally consulted the National Securities Commission about the steps to be followed with regard to the public offering for the acquisition of Emdersa's shares that the Company is required to make to Emdersa's minority shareholders due to the change in that company's control and in accordance with the provisions of Decree No. 677/01 and the National Securities Commission's regulations. The aforementioned consultation was made due to the fact that the authorization and carrying out of the public acquisition offering that for the same reasons is to be carried out by AEIU at a price of USD 0.68 per Emdersa's common share, is still pending. Therefore, the situation generated by the potential coexistence of two public offerings should, in the Company's opinion, be clarified.

The Company has fully assumed its obligation to carry out the public acquisition offering it is required to make due to the new change in Emdersa's control, which will be carried out at the same price per Emdersa's common share that the Company paid to AEIU, i.e. USD 0.49 per Emdersa's common share, in the manner and time period established by the control authority. The carrying out of said public acquisition offering was approved by the Company's Board of Directors on March 4, 2011, and constitutes an irrevocable commitment with Emdersa's shareholders.

Furthermore, the Company has initiated the proceedings aimed at obtaining authorization from the corresponding control authorities

Finally, within the framework of the reported transaction for the acquisition of shares, the change in control of the acquired companies constitutes grounds for calling the loans taken out by their subsidiaries due. Therefore, on March 4, 2011, the Company granted to them a series of loans at an annual interest rate of 16% and final maturity on April 30, 2011 in order for them to be in a better position to negotiate the restructuring. The loans have been distributed in the following manner: i) EDEN 80,000; ii) EDELAR 31,178; iii) EDESA 131,320 and iv) EDESAL 37,503, which was repaid on October 25, 2011.

The purpose of companies acquired is to engage in the distribution and sale of electricity within specific concession areas. The Company decided to acquired this group of assets because the seller had started a process for divesting its net assets in the region. Consequently, it sold this group of assets at market values which were lower than their respective fair value.

The acquisitions have been recorded in accordance with the purchase method on the basis of the fair value measurements of the acquired assets and liabilities.

The consideration paid, the amount of the net acquired assets recognized at acquisition date and the generated gain are as follow:

	\$
<b>Consideration:</b>	
Cash	(561,953)
<b>Consideration transferred</b>	<u>(561,953)</u>
Fair value of net assets acquired	<u>996,912</u>
<b>Gain burgain purchase</b>	<u><u>434,959</u></u>

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In addition, under NIF the excess of the fair value of the net assets acquired, including those recognized in the reassessment of the purchase price allocation, over the consideration paid and the non-controlling interest has been considered as a gain in bargain purchase, because the seller had started a process for divesting its net assets in the region and, consequently, it sold them at values lower than their respective fair value.

This gain from acquisition of companies is included in the consolidated statement of comprehensive loss.

The fair value of the assets acquired and liabilities assumed, recognized at the date of acquisition, as well as the fair value of the non-controlling interest are as follow:

	<u>“Fair value”</u>
Cash and cash equivalents	119,042
Property, plant and equipment	1,120,925
Intangible assets	760,479
Inventories	4,256
Trade receivables	255,260
Other receivables	84,649
Trade payables	(257,770)
Borrowings	(450,018)
Deferred tax liability	(78,845)
Other liabilities	(331,026)
<b>Net assets</b>	<u>1,226,952</u>
Non-controlling interests	<u>(230,040)</u>
<b>Net assets acquired</b>	<u><u>996,912</u></u>

The breakdown of cash and cash equivalents applied to the acquisition was the following:

<b>Consideration paid – Argentine GAAP</b>	<b>(566,222)</b>
Transaction costs (See Note 30)	4,269
<b>Consideration paid – IFRS</b>	<b>(561,953)</b>
Cash and cash equivalents in acquired companies	119,042
<b>Net cash outflow for acquisition of companies</b>	<b>(442,911)</b>

  
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**Proforma (unaudited):**

The amounts of EMDERSA and AESEBA's revenues and earning included in EDENOR's Consolidated Statements of Operations for the year ended December 31, 2011, and the revenue and earnings of the combined entity had the acquisition date been January 1, 2011, or January 1, 2010, are as follows:

	<b>12.31.11</b>
Net Sales / Services revenues	3,279,157
Net loss	(354,879)

**39. Spin-off Process - EMDERSA**

The Extraordinary Shareholders' Meeting of EMDERSA held on December 16, 2011, which was resumed on January 13, 2012 after a recess, approved the corporate reorganization consisting of the spin-off of EMDERSA's following assets, together with any other rights, assets, liabilities or contingencies related to such assets (the Spin-off): (a) the ownership of the shares held by EMDERSA in Empresa Distribuidora San Luis S.A. (EDESAL), together with all the rights and obligations relating to or arising from such shareholding, as well as any right, obligation or contingency related to EDESAL's business activity, for the setting up of a new company named EDESAL Holding S.A. (EDESALH); (b) the ownership of the shares held by EMDERSA in Empresa Distribuidora de Electricidad de Salta S.A. (EDESA), together with all the rights and obligations relating to or arising from such shareholding, as well as any right, obligation or contingency related to EDESA's business activity, for the setting up of a new company named EDESA Holding S.A. (EDESALH); and (c) the ownership of the shares held by EMDERSA in Empresa Generación Salta S.A. (EGSSA), together with all the rights and obligations relating to or arising from such shareholding, as well as any right, obligation or contingency related to EGSSA's business activity, for the setting up of a new company named EGSSA Holding S.A. (EGSSAH).

The Spin-off has been approved by the National Securities Commission and registered with the Regulatory Agency of Corporations, together with the registration of the three new companies. On November 8, 2012, the new companies were authorized by the National Securities Commission to go public and obtained admission to the Buenos Aires Stock Exchange listing.

**40. Disposal group classified as held for sale****Company sale agreements and Companies available for sale:**

The Company's Board of Directors approved at different times the offer letters received for the carrying out of the following transactions:

- i. From Rovella Carranza S.A., for the acquisition of the Company's direct and indirect stake in Edesal (EDESAL Sale).
- ii. From Andes Energía Argentina S.A., to buy a purchase option for the acquisition of the Company's direct and indirect stake in Edelar (EDELAR Offer).
- iii. From Salta Inversiones Eléctricas S.A. (SIESA), for the acquisition of the Company's direct and indirect stake in Edesa (EDESA Sale)

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- iv. From Pampa Energía S.A. for the acquisition of the Company's direct and indirect stake in EGSSA (EGSSA Sale).

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

At December 31, 2011, the valuation of these investments at their fair value less costs to sell, and the result of EDESAL sale resulted in a loss of \$ 247.87 million, which is set off by the profit made during the same fiscal year, as disclosed in Note 38. The aforementioned loss arises from the process of divesting net assets initiated by the Company; consequently the market value recognized was lower than the fair value.

#### **EDESAL sale**

On September 16, 2011, the Board of Directors approved the offer for the acquisition of Edesal by Rovella Carranza S.A. for a total and final price of USD 26.698 million that was paid in two payments. The first of them, for USD 4.005 million was made within the three days of the acceptance of the offer, and the remaining balance, i.e. an amount of USD 22.694 million was collected by the Company on October 25, 2011.

Furthermore, as stipulated in the Offer Letter, on that date EDESAL repaid the financial loan granted by the Company to EDESAL for an amount of 37,503, plus interest accrued through the settlement date.

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

From the date of final payment and during the term of the trust, EDESAL's management was in charge of a board of directors appointed by EMDERSA, in accordance with the buyer's proposal, which is comprised of 5 directors, four (4) of whom were elected by the buyer and one (1) of whom was elected by the seller, and equal number of alternate directors, four (4) of whom were elected by the buyer and one (1) of whom was elected by the seller.

As security for the compliance with the obligations undertaken, the Company has provided a performance bond in favor of Banco Itaú Argentina S.A. and Standard Bank Argentina S.A. for the total amount of 60,000 thousand as principal plus compensatory interest at an annual nominal rate of up to 16% as collateral for EDESAL's payment obligations with respect to these banks. The performance bond was enforceable if any of the following conditions precedent (whichever takes place first) occur:

1. That at September 16, 2013, EMDERSA's spin-off has not been carried out; or
2. That during the term of the trust the Company fails to comply with certain obligations concerning EDESAL's joint management.

  
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Given the fact that neither of these two conditions occurred, the performance bond was not enforced.

At December 31, 2012, as a consequence of the above-described transaction and EMDERSA' spin-off resolution, the Company no longer holds any direct or indirect interest in EDESAL HOLDING S.A. or EDESAL.

#### **EDELAR offer**

The offer from Andes Energía Argentina S.A. received by the Company in fiscal year 2011 implied a proposal to buy a purchase option for a price of USD 1.5 million to buy, if EMDERSA's spin-off was completed within the term of 2 years, 78.44% of the Company's direct and indirect stake in EDELAR for USD 20.29 million, to be paid in two payments. The purchase option was paid by the buyer on September 16, 2011.

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

At December 31, 2012, Andes Energía Argentina S.A.'s purchase option has expired. The Company is currently negotiating with the buyer the terms under which such problem may be solved.

In this regard, and considering both that the Company maintains its decision to sell this asset and that it has received other expressions of interest in connection thereto, which are currently being analyzed although no specific offers have yet been received, such asset continues to be classified as assets available for sale.

At the end of the year being reported, the Company has recorded the assets related to EDELAR at their estimated recoverable value. Consequently, it has recorded a loss of \$ 64.8 million in the Loss from discontinued operations line item due to the valuation at fair value less costs to sell (which is estimated to be similar to the asset's book value) and \$ 37.3 million in the Other expense line item, in the understanding that the result of the recoverability analysis of the receivable is part of the controlling company's own result.

#### **EDESA sale**

At December 31, 2011, this investment has been classified as Disposal group and associated liabilities classified as held for sale within assets and has been valued at fair value less costs to sell, which is lower than its book value.

For purposes of determining the fair value less costs to sell, the Company used the incurred acquisition value.

On April 23, 2012, the Company's Board of Directors accepted the offer made by Salta Inversiones Eléctricas S.A. ("SIESA") to Edenor S.A. and its subsidiary EMDERSA Holding, for the acquisition of

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shares representing: (i) 78.44% of the capital stock and voting rights of EDESA Holding, a corporation in the process of formation as a result of the spin-off process of EMDERSA currently underway, upon the conclusion of which will become the holder of 90% of the capital stock and voting rights of EDESA, which in turn owns 99.99% of ESED's capital stock and voting rights, and (ii) the remaining 0.01% of ESED.

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

As part of the aforementioned transaction, EDESA fully repaid the loan granted by the Company for a total principal amount of 131,300, plus interest accrued, and the buyer released EMDERSA from all liability for the collateral granted by the latter to EDESA in connection with the syndicated loan held by this company with various banks. By virtue of this transaction, EMDERSA Holding ("EHSA"), a directly controlled company of Edenor S.A., transferred to SIESA the shares representing 28.93% of EMDERSA's capital stock and votes, whereas the Company transferred to that company 0.01% of ESED's capital stock and votes.

As a consequence of this transaction, on May 9, 2012, the Company obtained from EHSA an \$83.88 million loan falling due on May 9, 2013 and accruing interest as from the date of disbursement at an annual nominal rate of 16%, payable together with principal. Early repayment permitted. This loan was repaid by means of the capital reduction process carried out by EHSA, which is described in note 42.

Due to that which has been previously mentioned, and as a consequence of this transaction, the Company no longer holds any direct or indirect interest in EDESA and has recorded during the year 2012 a profit of \$ 21.6 million in the discontinued operations line item of the Statement of Comprehensive loss.

As agreed by the parties in EDESA sale agreement, SIESA and EHSA, as trustors and beneficiaries, and Deutsche Bank S.A. ("DB") as trustee, set up a collateral trust to which they transferred their shareholdings representing EMDERSA's capital stock and votes, with SIESA transferring the 28.93% received with the closing of the transaction, and EHSA the remaining 24.84% of the shares.

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

#### **EGSSA sale**

On October 11, 2011, the Company's Board of Directors approved the offer received from its controlling shareholder Pampa Energía S.A. (PESA), for the acquisition through a conditioned purchase and sale

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transaction of 78.44% of the shares and votes of an investment company to be organized, which will be the holder of 99.99% of the shares and votes of EMDERSA Generación Salta S.A. ("EGSSA") together with 0.01% of EGSSA's capital stock held by the Company.

The condition precedent of the purchase and sale transaction was the carrying out of EMDERSA's spin-off in the maximum term of 24 months as from the date of acceptance of the offer, which has been complied with as disclosed in Note 39.

The total and final agreed-upon price for this transaction amounts to USD 10.85 million to be paid in two payments, the first of them for an amount of USD 2.17 million was made on October 31, 2011 as partial payment of the price, and the remaining balance, i.e. an amount of USD 8.68 million will have to be paid in October 2013. The latter amount will accrue interest at an annual rate of 9.75%, payable semi-annually.

Furthermore, the offer implied the repayment by PESA of the financial loan granted by the Company to EGSSA for an amount of USD 4.17 million, plus interest accrued through the settlement date, which took place on October 31, 2011.

Having EMDERSA's spin-off process been concluded (Note 39), on November 22, 2012, 78.44% of the capital stock and votes of EGSSA Holding S.A were transferred in favor of Pampa Energía S.A.

At December 31, 2012, as a consequence of the aforementioned transaction, the Company no longer holds any direct or indirect interest in EGSSA.

**Classification of assets of disposal groups classified as held for sale and liabilities of disposal groups classified as held for sale:**

In the framework of that described under "The Company's economic and financial situation" in Note 1, the Company's Management has decided to divest from the companies comprising EMDERSA and EMDERSA HOLDING, and has begun to take the necessary steps for the sale thereof, classifying them as Assets available for sale and Associated liabilities and discontinuing their activity at December 31, 2011.

The indicated Assets and Liabilities are part of the EMDERSA business segment and have been valued at their fair value less costs to sell, which is lower than their equity value.

The respective charges to profit or loss have been included in the Loss from discontinued operations line item in the Company's Consolidated Statement of Comprehensive loss.

In order to determine the fair value less costs to sell, the Company used the values of the offers received for EDELAR and EGSSA and the acquisition values for the other companies.

  
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The main types of assets and liabilities are:

	<u>12.31.12</u>	<u>12.31.11</u>
Property, plant and equipment and intangible assets	100,197	1,021,929
Inventories	1,148	5,340
Trade and other receivables	74,026	223,157
Deferred tax asset	36,873	12,347
Cash and cash equivalents	11,154	28,305
<b>Total assets available for sale</b>	<b><u>223,398</u></b>	<b><u>1,291,078</u></b>
Trade payables	126,335	214,198
Borrowings	4,623	185,264
Salaries and social security taxes payable	10,012	37,617
Taxes	6,073	22,117
Deferred tax liability	-	62,228
Other liabilities	914	921
Provisions	9,310	19,860
<b>Total liabilities associated with assets available for sale</b>	<b><u>157,267</u></b>	<b><u>542,205</u></b>

(\*) The breakdown of the account is as follows:

Property, plant and equipment and intangible assets as per Exhibit:	115,945	1,199,696
Impairment from valuation at net fair value less costs to sell:	(15,748)	(177,767)
<b>“Total Property, plants and equipment and intangible assets account:”</b>	<b>100,197</b>	<b>1,021,929</b>

  
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The financial statements related to discontinued operations are disclosed below:

**a. Statement of comprehensive loss**

	<b>12.31.12</b>	<b>12.31.11</b>
Revenue from sales	426,317	764,276
Cost of sales	(201,037)	(264,511)
<b>Gross profit</b>	<b>225,280</b>	<b>499,765</b>
Transmission and distribution expenses	(175,438)	(168,652)
Selling expenses	(57,607)	(97,313)
Administrative expenses	(47,130)	(99,122)
Other operating income	52,259	2,768
Other operating expense	(636)	(5,314)
Gain from interest in joint ventures	-	924
<b>Operating loss</b>	<b>(3,272)</b>	<b>133,056</b>
Financial income	5,296	118
Financial expenses	(42,713)	(35,676)
Other financial expense	(5,008)	(12,114)
Net financial expense	(42,425)	(47,672)
<b>Loss before taxes</b>	<b>(45,697)</b>	<b>85,384</b>
Income tax and tax on minimum presumed income	39,078	(17,455)
<b>Loss after taxes</b>	<b>(6,619)</b>	<b>67,929</b>
Loss recognized on the re-measurement of assets of disposal group	(15,748)	(177,727)
Disposal loss from assets classified as held for sale	-	(70,140)
Tax effect	-	40,407
<b>Loss for the year</b>	<b>(22,367)</b>	<b>(139,531)</b>
<b>Loss for the year attributable to:</b>		
Owners of the parent	(15,849)	(146,382)
Non-controlling interests	(6,518)	6,851
	<b>(22,367)</b>	<b>(139,531)</b>
<b>Other comprehensive loss</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Actuarial gains and losses related to defined benefit plans	-	(5,220)
Income tax related to items that will not be reclassified to profit or loss	-	1,827
<b>Other comprehensive loss for the year</b>	<b>-</b>	<b>(3,393)</b>
<b>Comprehensive loss for the year</b>	<b>(22,367)</b>	<b>(142,924)</b>
<b>Comprehensive loss for the year attributable to:</b>		
Owners of the parent	(15,849)	(149,001)
Non-controlling interests	(6,518)	6,077
	<b>(22,367)</b>	<b>(142,924)</b>

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**b. Statement of cash flows**

	<u>12.31.12</u>	<u>12.31.11</u>
Net cash flows provided by operating activities	246,227	202,348
Net cash flows used in investing activities	(200,839)	(279,940)
Net cash flows used in financing activities	(39,920)	98,547
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b><u>5,468</u></b>	<b><u>20,955</u></b>
Cash and cash equivalents at beginning of year	5,686	7,350
Change in cash and cash equivalents	<u>5,468</u>	<u>20,955</u>
Cash and cash equivalents at end of year	<b><u>11,154</u></b>	<b><u>28,305</u></b>

**41. Ordinary and Extraordinary Shareholders' Meeting**

The General Annual Meeting held on April 27, 2012 approved, among other items of the agenda, the Financial Statements as at December 31, 2011 as well as the actions taken by the Board of Directors and the Supervisory Committee. Furthermore, it resolved that the Accumulated Deficit of 670,751 be absorbed by the Legal Reserve, the Additional Paid-in Capital and the Adjustment to Capital for 64,008, 18,317 and 588,426, respectively.

**42. EHSA – Capital reduction**

The Shareholders' Meeting of EHSA held on August 21, 2012 approved such company's reduction of capital for \$ 98 million, representing 98,083,563 common shares with a nominal value of \$ 1 per share. This capital reduction process has been approved by the Regulatory Agency of Corporations (Inspección General de Justicia de la Ciudad Autónoma de Buenos Aires).

As a consequence of this process, the \$ 83.88 million loan that the Company had with EHSA at June 30, 2012 was repaid.

Moreover, on December 10, 2012 the Shareholders' Meeting of EHSA approved a second reduction of capital for \$ 56.11 million, representing 56,108,232 common shares with a nominal value of \$ 1 per share. At the date of issuance of these Consolidated Financial Statements, the aforementioned capital reduction process is pending approval by the Regulatory Agency of Corporations.

The aforementioned transactions did not generate results for the Company.

**43. Trust for the Management of Electric Power Transmission Works (FOTAE)**

Due to the constant increase recorded in the demand for electricity as a result of the economic recovery, the Energy Secretariat, through Resolution 1875 dated December 5, 2005, established that the interconnection works through an underground power cable at TWO HUNDRED AND TWENTY KILOVOLTS (220 kV) between COSTANERA and PUERTO NUEVO Transformer Stations with MALAVER Transformer Station were necessary. These works require not only the execution of expansion works but also new layout-designs of the high-voltage subsystems of Edenor and Edesur S.A.'s networks. In

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C.P.C.E.C.A.B.A. T° 245 - F° 61

addition, it established that a fraction of the electricity rate increase granted to distribution companies through ENRE Resolution No. 51/07 (as mentioned in Note 2.c.I), will be used to finance up to 30% of the total execution cost of these works, with the remaining 70% of the total cost of the works being absorbed by the MEM's demand. Fund inflows and outflows relating to the aforementioned expansion works are managed by the WORKS TRUST FUND ENERGY SECRETARIAT RESOLUTION No. 1/2003, which will act as the link among CAMMESA (the company in charge of the regulation and operation of the wholesale electricity market), the Contracting Distribution Companies and the companies that would have been awarded the contracts for the provision of engineering services, supplies and main pieces of equipment as well as those for the execution of the works and provision of minor supplies.

At December 31, 2012, the amount transferred to CAMMESA by the Company as from the commencement date of the project, through contributions in cash, supplies and services totals \$ 45.8 million. The adjusting entry of these funds has been recognized by the Company as construction in process within Property, plant and equipment.

In accordance with the agreements entered into on August 16, 2007 by and between the Company and the National Energy Secretariat and on December 18, 2008 by and between the Company and Banco de Inversión y Comercio Exterior, in its capacity as Trustee of the Trust for the Management of Electric Power Transmission Works (FOTAE), the Company is responsible for the development of all the stages of the project, regardless of the oversight tasks to be performed by the Works Commission Energy Secretariat Resolution No. 1/03. The agreement stipulates that the Company will be in charge of the operation and the planned and reactive maintenance of the facilities comprising the expansion works, being entitled to receive as remuneration for the tasks and obligations undertaken 2% of the cost of major equipment and 3% of all the costs necessary for the carrying out of civil engineering and electromechanical assembly works relating to the MALAVER-COLEGIALES and MALAVER-COSTANERA electrical transmission lines, the expansion of Malaver Substation and the remaining expansion works of Puerto Nuevo Substation.

In January 2013, part of the works of the "Interconnection at two hundred and twenty kilovolts (220 KV) between Costanera Transformer Station and Malaver Transformer Station" project was inaugurated. It is estimated that the works will be completely finished during 2013.

At the date of these financial statements, it has not been defined if ownership of the aforementioned works will be assigned to the Company inasmuch as the National Energy Secretariat has not yet defined who the remainderman will be, in the framework of the aforementioned Agreement entered into on December 18, 2008.

In summary, at the date of these financial statements:

- 1) The Company, as agreed, has made contributions to CAMMESA for an amount of \$ 45.8 million.
- 2) Up to date, the Company has complied with its responsibility with regard to the development of all the stages of the project, as well as with the operation and the planned and reactive maintenance of the facilities comprising the expansion works. Nevertheless, the Company has not recognized in the accounting any amount for the tasks performed up to now as it is waiting for the calculation basis thereof to be reliably determined.

  
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C.P.C.E.C.A.B.A. T° 245 - F° 61

Furthermore, the Company is awaiting the Energy Secretariat's definition concerning who will be the designated owner of the works as well as the valuation thereof. Based on such definitions, the Company will make the necessary adjustments to the recordings made up to now and described in this note.

#### **44. Construction work San Miguel and San Martín**

The Company carried out construction works of a 7.3 km-long electrical transmission line consisting of four 13.2 kV lines in trefoil formation to link Rotonda Substation with San Miguel Transformer Center, owned by ENARSA, necessary for the provision of electric power generation services; and a 6.2 km-long electrical transmission line consisting of a 13.2 kV line in trefoil formation to link Rotonda Substation with San Martín Transformer Center, owned by ENARSA.

Negotiations are being held concerning the assignment to Edenor S.A. of the ownership of the works, which were financed by ENARSA, when the respective agreements are signed. At December 31, 2012, the Company continues to recognize liabilities for this concept in the deferred revenue account. The recordings made until now and described in this note will be adjusted based on the previously mentioned definitions.

#### **45. Events after the reporting period**

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

Subsequent to year-end, the Company received offers from two investment groups for the acquisition of all the shares of AESEBA, the controlling company of EDEN. On February 27, 2013, the Company's Board of Directors unanimously approved the acceptance of the Offer Letter sent by Servicios Eléctricos Norte BA S.L. (the "Buyer") for the acquisition of the shares representing 100% of AESEBA's capital stock and voting rights. The price offered by the buyer will be paid through the delivery of Edenor's debt securities for an amount equivalent, as at the date of the acceptance of the offer, to USD 80 million. Such delivery will be guaranteed by a contribution of \$300 million in Argentina's sovereign debt bonds to be made by the Buyer to a trust. Furthermore, as security for the performance of his obligations, the Buyer made a deposit for USD 3 million in the name of the Company. By means of this transaction, the Company divests the AESEBA segment. The assets and liabilities comprising the aforementioned segment have been detailed in Note 8.

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

##### **Salary agreement**

On February 26, 2013, the Company, the Ministry of Labor, the Economic Policy and Development Planning Secretariat of the Economy Ministry, the Management Coordination and Control Under-Secretariat of the Federal Planning Ministry, the Sindicato de Luz y Fuerza (Electric Light and Power Labor Union) and other companies of the electric power sector entered into a salary agreement for a term of eighteen months which establishes an 18% increase as from January 2013, a 5% non-cumulative increase as from June 2013 and a 7% cumulative increase as from January 2014.

**RICARDO TORRES**  
Chairman

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of  
Empresa Distribuidora y Comercializadora Norte  
Sociedad Anónima (Edenor S.A.)

We have audited the accompanying consolidated statements of financial position of Empresa Distribuidora y Comercializadora Norte Sociedad Anónima (Edenor S.A.) (hereinafter, Edenor S.A.) and its subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of comprehensive loss, of changes in equity and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Edenor S.A. and its subsidiaries at December 31, 2012 and 2011 and the results of their operations and their cash flows for the years then ended, in conformity with International Financial Reporting Standards as issued by the IASB.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Notes 1 and 2 c. 1 to the financial statements, the delay in obtaining tariff increases and the cost adjustments recognition ("MMC"), requested in the presentations made until now by the Company in accordance with the terms of the Adjustment Agreement ("Acta Acuerdo") and the continuous increase in operating expenses that are necessary to maintain the level of the service, significantly affected the economic and financial position of the Company and raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Autonomous City of Buenos Aires, March 8, 2013.

PRICE WATERHOUSE & CO. S.R.L.

 (Partner)

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**Dr. Andrés Suarez**





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