

U.S. \$230,301,000



**Empresa Distribuidora y Comercializadora Norte S.A.**  
**9.75% Senior Notes due 2022**

We are offering U.S. \$230,301,000 aggregate principal amount of our 9.75% senior notes due 2022. The notes will mature on October 25, 2022. Interest on the notes will be payable semiannually in arrears on April 25 and October 25 of each year, commencing on April 25, 2011. We are offering U.S.\$140,000,000 of the notes for cash and U.S.\$90,301,000 of the notes pursuant to the Concurrent Exchange Offer (as defined below).

The notes may be repaid early only in the event that we redeem the notes or upon acceleration due to an event of default, as described under "Description of the Notes." We may redeem the notes, in whole or in part, on or after October 25, 2018, at the redemption prices set forth in this offering memorandum. The notes may also be redeemed, at any time upon the occurrence of specified events relating to Argentine tax law, as set forth in this offering memorandum.

The notes will constitute our direct, unconditional, unsecured and unsubordinated obligations and will rank at all times *pari passu* in right of payment with all our other existing and future unsecured and unsubordinated indebtedness (other than obligations preferred by statute or by operation of law).

We will apply to have the notes listed on the Luxembourg Stock Exchange and admitted for trading on the Euro MTF market of the Luxembourg Stock Exchange. We will also apply to have the notes listed on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires* or BASE). We expect that the notes will be eligible for trading on the *Mercado Abierto Electrónico S.A.* (MAE).

**Investing in the notes involves a high degree of risk. See "Risk Factors" beginning on page 11.**

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**Issue Price: 100% plus accrued interest, if any, from October 25, 2010.**

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The notes will qualify as negotiable obligations (*obligaciones negociables*) under Argentine Law No. 23,576 of Argentina (as amended, the Negotiable Obligations Law), and Joint Resolutions No. 470-1738/2004 and 521-2354/2007 (Joint Resolutions) issued by the Argentine securities commission (*Comisión Nacional de Valores* or CNV) and the Argentine tax authority (*Administración Federal de Ingresos Públicos*), and will be entitled to the benefits set forth in, and subject to the procedural requirements of, such law, resolution and Argentine Decree No. 677/2001.

The offering of the notes under our global note program has been authorized by the CNV pursuant to Certificate No. 130 dated November 5<sup>th</sup> 1996, Certificate No. 193 dated February 27<sup>th</sup> 1998, Certificate No. 286 dated September 2001, Resolution No. 15,359, dated March 23, 2006 and Resolution of the Board of Directors of the CNV dated November 28, 2007. The CNV authorization means only that the information contained in the Argentine prospectus complies with the requirements of the CNV. The CNV has not rendered and will not render any opinion with respect to the accuracy of the information contained in this offering memorandum or the Argentine prospectus.

The notes have not been registered under the U.S. Securities Act of 1933, as amended (the Securities Act). The notes may not be offered or sold within the U.S. or to U.S. persons, except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A under the Securities Act and to certain non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act. Prospective purchasers that are qualified institutional buyers are hereby notified that the seller may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on transfers of the notes, see "Plan of Distribution" and "Transfer Restrictions."

Any offer or sale of notes in any Member State of the European Economic Area which has implemented Directive 2003/71/EC (the Prospectus Directive) must be addressed to qualified investors (as defined in the Prospectus Directive).

The notes in book-entry form are expected to be delivered through the Depository Trust Company on or about October 25, 2010.

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*Joint Book-Running Managers and Joint Lead Managers*

**Deutsche Bank Securities**

**J.P. Morgan**

*Joint Lead Manager*

**Standard Bank**

The date of this offering memorandum is October 15, 2010.

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We are responsible for the information contained in this offering memorandum. We have not, and the initial purchasers have not, authorized any other person to provide you with different information and take no responsibility for any other information others may give you. You should assume that the information contained in this offering memorandum is accurate only as of the date on the front cover of this offering memorandum (or such earlier date as may be specified in this offering memorandum). Our business, financial condition, results of operations and prospects may have changed since such date. Neither the delivery of this offering memorandum nor any sale made hereunder shall under any circumstance imply that the information contained herein is correct as of any date after the date of this offering memorandum.

We have prepared this offering memorandum solely for use in connection with the placement of the notes. We and the initial purchasers reserve the right to reject any offer to purchase notes for any reason.

This offering memorandum is only being distributed to, and is only directed at, (1) persons who are outside the United Kingdom, (2) investment professionals falling within Article 19(5) of the Financial Services and Market Act 2000 (Financial Promotion) Order 2005, or the Order, or (3) high net worth entities, and other persons to whom it may be lawfully communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as relevant persons). The notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

This offering memorandum has been prepared on the basis that all offers of the notes will be made pursuant to an exemption under the Prospectus Directive, as implemented in member states of the EEA, from the requirement to produce a prospectus for offers of notes. Accordingly any person making or intending to make any offer within the EEA of notes that are the subject of the offering contemplated in this offering memorandum should only do so in circumstances in which no obligation arises for Edenor or any of the initial purchasers to produce a prospectus for such offer. Neither Edenor nor the initial purchasers have authorized, nor do they authorize, the making of any offer of notes through any financial intermediary, other than offers made by the initial purchasers which constitute the final offer of notes contemplated in this offering memorandum.

We are offering to sell, and are seeking offers to buy, the notes only in jurisdictions where offers and sales are permitted. This offering memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any notes by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation.

You must:

- comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this offering memorandum and the purchase, offer or sale of the notes; and
- obtain any consent, approval or permission required to be obtained by you for the purchase, offer or sale by you of the notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales: and neither we nor the initial purchasers shall have any responsibility therefor.

The notes are subject to restrictions on transfer. See “Transfer Restrictions.”

You acknowledge that:

- you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this offering memorandum;

- you have not relied on the initial purchasers or any person affiliated with the initial purchasers in connection with your investigation of the accuracy of such information or your investment decision; and
- no person has been authorized to give any information or to make any representation concerning us or the notes, other than as contained in this offering memorandum and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the initial purchasers.

In making an investment decision, you must rely on your own examination of us and the terms of this offering, including the merits and risks involved.

The initial purchasers are not making any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum. You should not rely upon the information contained in this offering memorandum, as a promise or representation by the initial purchasers, whether as to the past or the future.

None of us and the initial purchasers, nor any of our and their respective representatives, make any representation to you regarding the legality of an investment in the notes. You should consult with your own advisors as to legal, tax, business, financial, and other related aspects of an investment in the notes. You must comply with all laws applicable in any place in which you buy, offer or sell the notes or possess or distribute this offering memorandum, and you must obtain all applicable consents and approvals. None of us nor the initial purchasers shall have any responsibility for any of the foregoing legal requirements.

In this offering memorandum, we rely on and refer to information and statistics regarding our industry and the economic condition of the markets in which we operate. We have obtained this data from either our internal studies or publicly available sources such as independent industry publications and government sources. Although we believe that these publicly available sources are reliable, we have not independently verified and do not guarantee the accuracy and completeness of this information.

This offering memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request to us or the initial purchasers.

#### **NOTICE TO NEW HAMPSHIRE RESIDENTS**

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE UNIFORM SECURITIES ACT (RSA 421-B) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OF A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

#### **WHERE YOU CAN FIND MORE INFORMATION**

We file reports, and other information with the SEC pursuant to the rules and regulations of the SEC that apply to foreign private issuers. You may read and copy any materials filed with the SEC at its Public Reference

Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Any filings we make electronically will be available to the public over the Internet at the SEC's website at [www.sec.gov](http://www.sec.gov). We are not, however, incorporating by reference in this offering memorandum any reports, information or materials filed with the SEC or any other material from our website or any other source. The reference above to our website is an inactive textual reference to the uniform resource locator (URL) and is for your reference only.

We have agreed that, if we are not subject to the informational requirements of Section 13 or 15(d) of the U.S. Securities and Exchange Act of 1934, or the Exchange Act, at any time while the notes constitute "restricted securities" within the meaning of the Securities Act, we will furnish to holders and beneficial owners of the notes and to prospective purchasers designated by such holders the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act to permit compliance with Rule 144A in connection with resales of the notes.

## FORWARD-LOOKING STATEMENTS

This offering memorandum includes forward-looking statements, principally under the captions “Summary”, “Management’s Discussion and analysis of financial conditions and results of operation”, “The Argentine electricity industry” and “Business”. We have based these forward-looking statements largely on our current beliefs, expectations and projections about future events and financial trends affecting our business. Forward-looking statements may also be identified by words such as “believes,” “expects,” “anticipates,” “projects,” “intends,” “should,” “seeks,” “estimates,” “future” or similar expressions. Many important factors, in addition to those discussed elsewhere in this offering memorandum, could cause our actual results to differ materially from those expressed or implied in our forward-looking statements, including, among other things:

- the outcome and timing of the integral tariff revision process we are currently undertaking with the Argentine National Electricity Regulator (*Ente Nacional Regulador de la Electricidad*, or the ENRE) and, more generally, uncertainties relating to future government approvals to increase or adjust our tariffs;
- general political, economic, social, demographic and business conditions in Argentina and particularly in the geographic market we serve;
- the global financial crisis and its impact on liquidity and access to capital;
- the impact of regulatory reform and changes in the regulatory environment in which we operate;
- electricity shortages;
- potential disruption or interruption of our service;
- restrictions on the ability to exchange Pesos into foreign currencies or to transfer funds abroad;
- the revocation or amendment of our concession by the granting authority;
- our ability to implement our capital expenditure plan, including our ability to arrange financing when required and on reasonable terms;
- fluctuations in inflation and exchange rates, including a devaluation of the Peso; and
- additional matters identified in “Risk factors.”

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

## ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS

We are incorporated under the laws of Argentina. Substantially all of our assets are located outside the United States. The majority of our directors and all our officers and certain advisors named herein reside in Argentina. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce against them or us in United States courts judgments predicated upon the civil liability provisions of the federal securities laws of the United States.

In addition, a substantial portion of our assets is not subject to attachment or foreclosure, as they are essential to the public service we provide. In accordance with Argentine law, as interpreted by the Argentine courts,

assets which are necessary to the provision of an essential public service may not be attached, whether preliminarily or in aid of execution.

We have been advised by our Argentine counsel, Errecondo, Salaverri, Dellatorre, González & Burgio, that judgments of United States courts for civil liabilities based upon the federal securities laws of the United States may be enforced in Argentina, provided that the requirements of Article 517 of the Federal Civil and Commercial Procedure Code (if enforcement is sought before federal courts) are met as follows: (i) the judgment, which must be final in the jurisdiction where rendered, was issued by a court competent in accordance with the Argentine principles regarding international jurisdiction and resulted from a personal action, or an *in rem* action with respect to personal property if such was transferred to Argentine territory during or after the prosecution of the foreign action, (ii) the defendant against whom enforcement of the judgment is sought was personally served with the summons and, in accordance with due process of law, was given an opportunity to defend against foreign action, (iii) the judgment does not violate the principles of public policy of Argentine law, and (v) the judgment is not contrary to a prior or simultaneous judgment of an Argentine court.

Subject to compliance with Article 517 of the Federal Civil and Commercial Procedure Code described above, a judgment against us or the persons described above obtained outside Argentina would be enforceable in Argentina without reconsideration of the merits.

We have been further advised by our Argentine counsel that:

- original actions based on the federal securities laws of the United States may be brought in Argentine courts and that, subject to applicable law, Argentine courts may enforce liabilities in such actions against us, our directors or our executive officers; and
- the ability of a judgment creditor or the other persons named above to satisfy a judgment by attaching certain of our assets is limited by provisions of Argentine law.

A plaintiff (whether Argentine or non-Argentine) residing outside Argentina during the course of litigation in Argentina must provide a bond to guarantee court costs and legal fees if the plaintiff owns no real property in Argentina that could secure such payment. The bond must have a value sufficient to satisfy the payment of court fees and defendant's attorney fees, as determined by the Argentine judge. This requirement does not apply to the enforcement of foreign judgments.

## SUMMARY

*This summary highlights certain relevant information included elsewhere in this offering memorandum. This summary does not purport to be complete and may not contain all of the information that is important or relevant to you. Before investing in the notes, you should read this entire offering memorandum carefully for a more complete understanding of our business and this offering, including our audited and unaudited financial statements and related notes, and the sections entitled “Risk factors” and “Management’s discussion and analysis of financial condition and results of operations” included elsewhere in this offering memorandum.*

### Overview

We believe we are the largest electricity distributor in Argentina in terms of number of customers and electricity sold (both in GWh and in Pesos) in 2009. We serve the largest number of electricity customers in Argentina, which at June 30, 2010 amounted to 2,631,612 customers. Our electricity purchases, used to meet customer demand in our service area, accounted for approximately 19.8% of total electricity demand in the country in 2009. As a result of being the largest electricity distributor in Argentina in terms of volume and customers, we have strong bargaining power with respect to many of our operating expenses, and benefit from economies of scale.

We hold a concession to distribute electricity on an exclusive basis to the northwestern zone of the greater Buenos Aires metropolitan area and the northern portion of the City of Buenos Aires, comprising an area of 4,637 square kilometers and a population of approximately seven million people. In 2009, we sold 18,220 GWh of energy and purchased 20,676 GWh of energy (including wheeling system purchases), and we recorded net sales of approximately Ps. 2.1 billion and net income of Ps. 90.6 million. In the six month period ended June 30, 2010, we sold 9,427 GWh of energy and purchased 10,756 GWh of energy (including wheeling system purchases), and we recorded net sales of approximately Ps. 1,067.9 million and net loss of Ps. 1.3 million.

We operate our business in a highly regulated environment. Our tariffs and the other terms of our concession are subject to regulation by the Argentine government, acting through the Secretary of Energy (*Secretaría de Energía*) and the ENRE. We generally pass through to our customers the cost of our energy purchases and charge them a regulated distribution margin, or value-added for distribution (VAD), which is intended to cover our distribution costs (including depreciation and taxes) and provide us an adequate return on our asset base. See “Management’s Discussion and Analysis of Financial Conditions and Results of Operations—Factors affecting results of operations—Tariffs.”

### Recent Developments

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

On November 12, 2009, Edenor submitted an integral tariff proposal to ENRE’s Board of Directors as requested by ENRE Resolution No. 467/2008. Our presentation included three different scenarios and related tariff proposals: two scenarios contemplated in Resolution No. 467/08 of the ENRE and a third one which contemplates a quality regime and cost of undelivered energy similar to the one currently in effect. Each scenario included the assumptions on which it was prepared and detailed supporting studies regarding projected demand, demand curve studies by client category, environmental management plan, capital base study, study of the group of facilities required to meet the demand of a certain homogeneous market in terms of consumption with the lowest costs (known as “Sistemas Eléctricos Representativos”), contemplated investment plan, operating costs analysis, profitability rate analysis, resulting revenue requirement and electricity rate adjustment criterion. Each scenario assumed the tariff increase would be implemented in three equal semiannual installments.

We anticipate that, once the ENRE has reviewed our integral tariff proposal, it will hold a public hearing on the proposal, following which we expect that the ENRE will adopt a revised tariff scheme, although no assurances can be given as to when, if ever, the ENRE will do so or as to what form the revised tariff will take.



## **Controlling Shareholder**

We are controlled by our indirect shareholder Pampa Energía S.A., the largest fully integrated electricity company in Argentina. Pampa Energía owns a 50% interest in the company that controls the principal electricity transmission company in Argentina, Compañía de Transporte de Energía Eléctrica en Alta Tensión S.A. (Transener). In addition, Pampa Energía has controlling stakes in five generation plants located in the Salta, Mendoza, Neuquén and Buenos Aires provinces (Hidroeléctrica Nihuiles, Hidroeléctrica Diamante, Central Térmica Güemes, Central Térmica Loma de la Lata and Central Piedra Buena). Our direct controlling shareholder, Electricidad Argentina S.A. (EASA), is an indirectly wholly owned subsidiary of Pampa Energía.

## **Our strengths**

We believe our main strengths are the following:

- *We believe we are the largest electricity distributor in Argentina*
- *We distribute electricity to an attractive and diversified client base in a highly developed area of Argentina.*
- *We have substantial experience in the operation of electricity distribution systems with strong operating performance and efficiency for the characteristics of our concession area.*
- *We have a well-balanced capital structure.*
- *We have a stable, committed and seasoned management team.*

## **Our strategy**

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

- *Complete our tariff renegotiation process.*
- *Continue to serve our concession area with a high quality of service.*
- *Undertake a reclassification of our smaller customers by economic activity rather than level of demand to optimize our tariff base.*
- *Focus on increasing our operating efficiency and optimizing our level of energy losses.*

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Our principal executive offices are located at Libertador 6363, C1428 Buenos Aires, Argentina, and our telephone number is + 54-11-4346-5000. Our website is [www.edenor.com](http://www.edenor.com). Information contained on, or accessible through, our website is not incorporated by reference in, and shall not be considered part of, this offering memorandum.

In this offering memorandum, we use the terms “Edenor,” “we,” “us” and “our” to refer to Empresa Distribuidora y Comercializadora Norte S.A. We also use throughout this offering memorandum various terms and abbreviations that are specific to the Argentine electricity industry.

## THE OFFERING

The following is a summary of certain material provisions of the notes. For a description of the terms of the notes, see “Description of the Notes.” All capitalized terms used in this summary and not defined herein are as defined in “Description of the Notes.”

Issuer	Empresa Distribuidora y Comercializadora Norte S.A.
Aggregate Principal Amount	U.S. \$230,301,000
Maturity Date	October 25, 2022
Interest	Interest on the notes will accrue at a rate of 9.75% per year, payable semiannually in arrears.
Default Interest	Default interest on overdue interest will be payable at a rate of 2% per year plus the interest rate on the notes.
Interest Payment Dates	April 25 and October 25 of each year
Ranking of the Notes	The notes will constitute direct, unconditional, unsecured and unsubordinated obligations of Edenor ranking at all times at least <i>pari passu</i> in priority of payment, in right of security upon liquidation and in all other respects among themselves and with all other unsecured Indebtedness of Edenor now or hereafter outstanding, except to the extent that such other Indebtedness may be preferred by mandatory provisions of applicable law or subordinated by its terms.
Repurchases	Edenor may at any time and from time to time purchase notes to the extent permitted by applicable law.
Restrictive Covenants	<p>The notes will be issued pursuant to an indenture that will contain a number of restrictive covenants that will limit the ability of Edenor and its Restricted Subsidiaries, if any, to, among other things:</p> <ul style="list-style-type: none"><li>• create or permit liens on its property or assets;</li><li>• incur indebtedness;</li><li>• sell its assets;</li><li>• enter into transactions with affiliates or shareholders;</li><li>• make certain payments (including, but not limited to, dividends, purchases of Edenor equity or payments on subordinated debt); and</li><li>• enter into merger transactions, unless they meet certain criteria.</li></ul> <p>For a more complete explanation of the restrictive covenants and the exceptions thereto, see “Description of the Notes—Certain Covenants.”</p>
Suspension of Covenants	Many of the restrictive covenants set forth in the Indenture will be suspended as described in “Description of the Notes—Certain Covenants—Limitation of Applicability of Certain Covenants” if (a) Edenor attains an Investment Grade rating on its long term debt or (b) the Leverage Ratio is equal to or lower

	<p>than 3.0. If subsequently Edenor loses its Investment Grade rating or Edenor’s Leverage Ratio is greater than 3.0, as applicable, the suspended covenants would again be applicable. The suspended covenants will not, however, be of any effect with regard to actions of Edenor taken during the suspension of the covenants.</p>								
Events of Default	<p>The Indenture will also contain certain Events of Default, the occurrence of which (subject to certain grace periods) will enable the holders of not less than 25% of the notes to accelerate the notes and declare the then outstanding aggregate principal amount of the notes immediately due and payable.</p> <p>For a more complete explanation of the events of default and the exceptions thereto, see “Description of the Notes—Events of Default.”</p>								
Redemption at the Company’s Option	<p>At any time on or after October 25, 2018 and prior to maturity, upon not less than 30 nor more than 60 days’ notice, Edenor may redeem all or part of the notes. These redemptions will be in amounts of U.S. \$2,000 or integral multiples of U.S. \$1,000 in excess thereof at the following redemption prices (expressed as percentages of their principal amount at maturity) plus, in each case, accrued and unpaid interest and Additional Amounts, if any, to the redemption date, if redeemed during the 12-month period commencing on October 25 of the years set forth below:</p> <table data-bbox="778 1115 1177 1243"> <tr> <td>2018:</td> <td>104.8750 %</td> </tr> <tr> <td>2019:</td> <td>102.4375 %</td> </tr> <tr> <td>2020:</td> <td>101.2188 %</td> </tr> <tr> <td>2021 and thereafter:</td> <td>100.0000 %</td> </tr> </table>	2018:	104.8750 %	2019:	102.4375 %	2020:	101.2188 %	2021 and thereafter:	100.0000 %
2018:	104.8750 %								
2019:	102.4375 %								
2020:	101.2188 %								
2021 and thereafter:	100.0000 %								
Repurchase at the Option of Holders Upon a Change of Control	<p>Upon a Change of Control, each holder of the notes will have the right to require the Company to repurchase all or a portion of that holder’s notes at 100% of the aggregate principal amount plus accrued and unpaid interest and Additional Amounts, if any, to the redemption date pursuant to an offer made by the Company on terms set forth in the Indenture.</p>								
Redemption for Taxation Reasons	<p>The notes may, at the option of Edenor, be redeemed in whole but not in part, at 100% of their outstanding principal amount plus accrued interest and Additional Amounts, if any, at any time following the occurrence of specified events relating to Argentine tax law, as set forth in this offering memorandum.</p>								
Additional Amounts	<p>Payments of interest on the notes will be made after withholding and deduction for any Argentine taxes as set forth under “Taxation.” Edenor will pay such additional amounts as will result in receipt by the holders of notes of such amounts as would have been received by them had no such withholding or deduction for Argentinean taxes been required, subject to certain exceptions set forth under “Description of the Notes—Additional Amounts.”</p>								
Regulatory Approvals and Listing	<p>We will seek to have the public offering of the notes in Argentina authorized by the CNV. We will apply to have the notes listed on the Buenos Aires Stock Exchange, admitted to</p>								

	trading on the MAE, listed on the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange.
Form and Denomination of Notes	The notes will be issued in registered form in minimum denominations of U.S. \$2,000 and multiples of U.S. \$1,000 in excess thereof. These notes initially will be evidenced by one or more Global Notes and will be deposited with the Trustee, as custodian for, and registered in the name of the nominee of DTC. DTC acts as depository for Euroclear and Clearstream, Luxembourg.
Trustee and Paying Agent	The Bank of New York Mellon.
Transfer Restrictions; Notice to Investors	The notes have not been registered under the U.S. Securities Act or under any state or foreign securities laws and are subject to restrictions on transfer. See “Transfer Restrictions.”
Concurrent Invitation	<p>Concurrently with the offer of U.S.\$140,000,000 aggregate principal amount of notes for cash, we invited holders of our outstanding Senior Notes due 2017 (the <b>Existing Notes</b>) to exchange their Existing Notes for notes and a U.S. dollar amount of cash, plus cash amounts in lieu of any fractional notes (the <b>Concurrent Exchange Offer</b>), or sell their Existing Notes to us for a U.S. dollar amount of cash (the <b>Concurrent Tender Offer</b>, and together with the Concurrent Exchange Offer, the <b>Concurrent Invitation</b>).</p> <p>We paid holders of Existing Notes who validly tendered Existing Notes in the Concurrent Tender Offer, and whose tender we accepted, for each U.S. \$1,000 principal amount of Existing Notes tendered, an amount in cash in U.S. dollars equal to:</p> <ul style="list-style-type: none"> <li>• in the case of Existing Notes tendered before 11:00 AM New York City time on October 15, 2010 (the <b>Early Participation Deadline</b>), U.S. \$1,060; and</li> <li>• in the case of Existing Notes tendered after the Early Participation Deadline, but on or before 5:00 PM New York City time on November 1, 2010 (the <b>Expiration Time</b>), U.S. \$1,045 (the “<b>Cash Consideration</b>”).</li> </ul> <p>We paid holders of Existing Notes who validly tendered Existing Notes in the Concurrent Exchange Offer, and whose tender we accepted, in exchange for each U.S. \$1,000 principal amount of Existing Notes exchanged, an original principal amount of New Notes equal to:</p> <ul style="list-style-type: none"> <li>• in the case of Existing Notes tendered before 5:00 PM New York City time on October 20, 2010 (the <b>Exchange Offer Early Participation Deadline</b>), U.S. \$1,000 principal amount of notes and U.S.\$100.90 cash, plus additional cash amounts in lieu of any fractional notes; and</li> <li>• in the case of Existing Notes tendered after the</li> </ul>

Exchange Offer Early Participation Deadline, but on or before the Expiration Time, U.S. \$1,000 principal amount of notes and U.S. \$80.90 cash, plus additional cash amounts in lieu of any fractional notes.

Payment for all Existing Notes validly tendered in the Concurrent Tender Offer prior to the Early Participation Deadline and accepted by the Company and all Existing Notes validly tendered in the Concurrent Exchange Offer prior to the Exchange Offer Early Participation Deadline and accepted by the Company were made on the sixth Business Day following the Early Participation Deadline (the **Early Settlement Date**). The Concurrent Invitation was conditioned on our issuance of at least U.S. \$150 million aggregate principal amount of Senior Notes in this offering and in the Concurrent Exchange Offer on the Early Settlement Date. We reserved the right to waive this condition, which could have result in the notes being issued in an aggregate principal amount of less than U.S. \$150 million.

U.S.\$50,000 aggregate principal amount of the notes issued on November 4, 2010 (the **Settlement Date**) pursuant to the Concurrent Exchange Offer in exchange for Existing Notes tendered after the Exchange Offer Early Participation Deadline, but on or before the Expiration Time (the **Settlement Notes**), have been assigned temporary CUSIP and ISIN numbers and Common Code and were not as of the Settlement Date fungible with the U.S.\$230,251,000 aggregate principal amount of notes issued on the Early Settlement Date pursuant to the offer of U.S.\$140,000,000 aggregate principal amount of notes for cash and the Concurrent Exchange Offer (the **Early Settlement Notes**). As of December 14, 2010, the temporary CUSIP and ISIN numbers and Common Code on the Settlement Notes will be replaced with the CUSIP and ISIN numbers and Common Code assigned to the Early Settlement Notes and the entire U.S.\$230,301,000 aggregate principal amount of notes will be fully fungible. See “Listing and General Information.”

Use of Proceeds

We will receive estimated net proceeds from the sale of the notes in this offering of approximately U.S. \$138,480,000 million, after payment of commissions and expenses. We will apply the net cash proceeds of this offering to refinance a portion of our indebtedness, including the repurchase of outstanding Senior Notes due 2017 that are validly tendered for cash in the Concurrent Tender Offer, and for capital expenditures and working capital purposes. See “Use of Proceeds” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Debt.”

Governing Law

Argentine Law No. 23,576, as amended, governs the requirements for the notes to qualify as *obligaciones negociables* thereunder while such law, together with Argentine Law No. 19,550, as amended, and other applicable

Argentine laws and regulations, govern the capacity and corporate authorization of the Company to execute and deliver the notes and the Indenture and the authorization of the CNV for the public offering of the notes in Argentina. As to all other matters, the notes and the Indenture are governed and construed in accordance with the laws of the State of New York, United States of America.

## SUMMARY FINANCIAL AND OPERATING DATA

*The following table presents our summary financial and operating data. You should read this information in conjunction with our audited and unaudited financial statements and related notes, and the information under “Selected financial and operating data” and “Management’s discussions and analysis of financial condition and results of operation” included elsewhere in this offering memorandum. All financial data as of June 30, 2010 and for the six-month period ended June 30, 2010 and 2009 included in this offering memorandum is unaudited. Results for the six-month period ended June 30, 2010 are not necessarily indicative of results to be expected for the full year 2010 or any other period.*

The financial data as of and for the years ended December 31, 2009 and 2008 are derived from our audited financial statements included elsewhere in this offering memorandum, which were audited by Price Waterhouse & Co. S.R.L., member firm of PricewaterhouseCoopers, independent accountants. The financial data as of and for the year ended December 31, 2007, is derived from our audited financial statements included elsewhere in this offering memorandum, which were audited by Deloitte & Co. S.R.L., member firm of Deloitte & Touche Tohmatsu, Independent Registered Public Accounting Firm. We engaged Price Waterhouse & Co. S.R.L as our new auditors in April 2008, in order to consolidate our audit with that of our controlling shareholder, Pampa Energia S.A., also audited by Price Waterhouse & Co. S.R.L. The financial data as of June 30, 2010 and for the six-month periods ended June 30, 2010 and 2009 are derived from our unaudited interim financial statements included elsewhere in this offering memorandum. Our financial statements have been prepared in accordance with generally accepted accounting principles in the City of Buenos Aires, which we refer to as Argentine GAAP and which differ in certain significant respects from U.S. Generally Accepted Accounting Principles (U.S. GAAP). For a summary of the significant differences between Argentine GAAP and U.S. GAAP, see “Annex A—Summary of Principal Differences between Argentine GAAP and U.S. GAAP.”

In this offering memorandum, except as otherwise specified, references to “\$”, “U.S. \$” and “Dollars” are to U.S. Dollars, and references to “Ps. ” and “Pesos” are to Argentine Pesos. Solely for the convenience of the reader, Peso amounts as of and for the year ended December 31, 2009 have been translated into U.S. Dollars at the buying rate for U.S. Dollars quoted by *Banco de la Nación Argentina (Banco Nación)* on December 31, 2009 of Ps. 3.80 to U.S. \$1.00, and Peso amounts as of and for the six-month period ended June 30, 2010 have been translated into U.S. Dollars at the buying rate for U.S. Dollars quoted by *Banco Nación* on June 30, 2010 of Ps. 3.93 to U.S. \$1.00. The U.S. Dollar equivalent information should not be construed to imply that the Peso amounts represent, or could have been or could be converted into, U.S. Dollars at such rates or any other rate. See “Exchange Rates.”

Under Argentine GAAP, we generally are not required to record the effects of inflation in our financial statements. However, because Argentina experienced a high rate of inflation in 2002, with the wholesale price index increasing by approximately 118%, we were required by Decree No. 1269/2002 and CNV Resolution No. 415/2002 to restate our financial statements in constant Pesos in accordance with Argentine GAAP. On March 25, 2003, Decree No. 664/2003 rescinded the requirement that financial statements be prepared in constant currency, effective for financial periods on or after March 1, 2003. As a result, we are not required to restate and have not restated our financial statements for inflation after February 28, 2003. See note 2 to our audited and unaudited financial statements included in this offering memorandum.

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

## Statement of Operations Data

	Six-month period ended June 30,			Year ended December 31,				
	2010		2009	2009		2008	2007	
	(in millions)							
<b>Argentine GAAP</b>								
Net sales <sup>(1)</sup> .....	U.S.\$ 277.5	Ps. 1,090.9	Ps. 1,060.2	U.S.\$ 546.8	Ps. 2,077.9	Ps. 2,000.2	Ps. 1,981.9	
Electric power purchases .....	(133.9)	(526.2)	(519.3)	(264.0)	(1,003.4)	(934.7)	(889.9)	
Gross margin .....	143.6	564.7	540.9	282.8	1,074.5	1,065.5	1,092.0	
Transmission and distribution expenses .....	(76.6)	(301.3)	(264.7)	(144.4)	(548.6)	(497.9)	(417.6)	
Selling expenses .....	(23.0)	(90.3)	(76.8)	(41.8)	(159.0)	(126.0)	(120.6)	
Administrative expenses .....	(20.6)	(80.8)	(64.2)	(46.5)	(176.6)	(138.7)	(124.7)	
Subtotal .....	23.5	92.3	135.2	50.1	190.4	302.9	429.2	
Other (expenses) income, net.....	(2.1)	(8.2)	34.4	6.1	23.3	(29.8)	1.0	
Financial income (expenses) and holding gains (losses):								
Generated by assets:								
Exchange difference .....	1.5	5.9	9.9	5.6	21.4	8.1	(0.9)	
Interest.....	3.2	12.6	6.9	4.3	16.2	9.8	13.4	
Holding results .....	(1.3)	(5.1)	40.2	9.9	37.6	(7.3)	0.1	
Taxes on financial transactions <sup>(2)</sup> .....	(1.7)	(6.8)	(6.8)	—	—	—	—	
Generated by liabilities:								
Financial expenses.....	(2.0)	(7.9)	(6.2)	(3.1)	(11.7)	(10.0)	(21.0)	
Exchange difference .....	(6.2)	(24.5)	(85.4)	(26.1)	(99.1)	(92.7)	(29.9)	
Interest.....	(10.2)	(40.0)	(44.9)	(23.1)	(87.7)	(95.3)	(74.5)	
Taxes on financial transactions <sup>(2)</sup> .....	(2.5)	(10.0)	(10.1)	—	—	—	—	
Adjustment to present value of the retroactive tariff increase arising from the application of the new electricity rate schedule and other receivables <sup>(3)</sup> .....	2.4	9.4	(10.7)	0.9	3.4	13.5	(29.6)	
Adjustment to present value of notes <sup>(4)</sup> .....	(0.4)	(1.5)	(4.8)	(1.4)	(5.2)	(8.5)	(21.5)	
Gain (loss) from the purchase of notes <sup>(5)</sup> .....	—	—	77.0	21.4	81.5	93.5	(10.2)	
Adjustment to present value of purchased notes <sup>(4)</sup> .....	—	—	—	—	—	—	(8.6)	
Income before taxes.....	4.1	16.1	134.7	44.7	169.9	184.3	247.4	
Income tax .....	(4.4)	(17.4)	(57.8)	(20.9)	(79.3)	(61.2)	(125.0)	
Net (loss) income for the period/year .....	U.S.\$ (0.3)	Ps. (1.3)	Ps. 77.0	U.S. \$23.8	Ps. 90.6	Ps. 123.1	Ps. 122.5	
Ratio of earnings to fixed charges .....	1.11	1.11	3.07	2.27	2.27	2.20	3.68	

- Net sales for 2007 include the retroactive portion of the February 2007 tariff increase, which amounts in aggregate to Ps. 218.6 million, and is being invoiced in 55 equal and consecutive monthly installments, starting in February 2007. As of June 30, 2010 we had invoiced Ps. 173.4 million of this amount.
- For the years ended December 31, 2007, 2008 and 2009, taxes on financial transactions were included in administrative expenses.
- Reflects the adjustment to present value of the retroactive portion of the tariff increase that is being invoiced in 55 consecutive monthly installments, starting in February 2007, and the adjustment to present value of Ps. 38.4 million due under the payment plan agreement with the Province of Buenos Aires that is being invoiced in 18 installments, starting in January 2007. As of December 31, 2009 and 2008, Ps. 2.3 million was due under the payment plan agreement with the Province of Buenos Aires, and Ps. 69.2 million and Ps. 118.9 million of the retroactive tariff increase had not been invoiced in 2009 and 2008, respectively. As of June 30, 2010, Ps. 45.2 million of the retroactive tariff increase had not been invoiced. In accordance with Argentine GAAP, we account for these long term receivables at their net present value, which we calculate at a discount rate of 10.5% for the retroactive tariff increase, recording the resulting non-cash charge as an adjustment to present value of this receivable. See "Management's Discussion and Analysis of Financial Condition and Results of Operations —Factors affecting our results of operations - Framework agreement (Shantytowns)."
- We record our financial debt in our balance sheet at fair value reflecting our management's best estimate of the amounts expected to be paid at each year end, calculated at a discount rate of 10.5% for the years ended December 31, 2009, 2008 and 2007 and for the six-month periods ended June 30, 2010 and 2009.
- In 2007, we repurchased U.S. \$43.7 million principal amount of our outstanding Fixed Rate Par Notes due 2016 and redeemed and repurchased U.S. \$240.0 million principal amount of our outstanding Discount Notes due 2014. In addition, in the years ended December 31, 2008 and 2009, we repurchased U.S. \$32.5 million and U.S. \$32.2 million principal amount of our outstanding Fixed Rate Par Notes due 2016, respectively, and U.S. \$17.5 million and U.S. \$53.8 million principal amount of our outstanding Senior Notes due 2017, respectively. In July 2010, we repurchased and canceled U.S. \$7.3 million of our outstanding Fixed Rate Par Notes due 2016.



## Balance Sheet Data

	As of June 30,		As of December 31,									
	2010		2009		2008		2007					
	(in millions)											
<b>Argentine GAAP</b>												
Current assets:												
Cash and banks .....	U.S.\$	2.0	Ps.	7.8	U.S.\$	2.3	Ps.	8.7	Ps.	6.1	Ps.	3.5
Investments .....		73.8		290.1		57.8		219.7		121.0		97.7
Trade receivables .....		104.5		410.9		102.4		389.2		400.5		346.0
Other receivables .....		8.8		34.6		16.1		61.1		42.8		26.0
Supplies .....		4.4		17.4		3.9		14.8		16.7		23.2
Total current assets .....	U.S.\$	193.5	Ps.	760.8	U.S.\$	182.5	Ps.	693.6	Ps.	587.1	Ps.	496.3
Non-current assets:												
Trade receivables .....		13.4		52.6		22.9		87.0		111.4		100.3
Other receivables .....		25.2		98.9		23.4		88.8		99.5		144.1
Investments in other companies .....		0.1		0.4		0.1		0.4		0.4		0.4
Investments .....		—		—		—		—		67.2		—
Supplies .....		4.9		19.3		4.9		18.6		12.8		13.8
Property, plant and equipment .....		912.2		3,585.9		916.4		3,482.4		3,256.3		3,092.7
Total non-current assets .....	U.S.\$	955.8	Ps.	3,757.1	U.S.\$	967.7	Ps.	3,677.2	Ps.	3,547.6	Ps.	3,351.3
Total assets .....	U.S.\$	1,149.3	Ps.	4,517.9	U.S.\$	1,150.2	Ps.	4,370.7	Ps.	4,134.6	Ps.	3,847.6
Current liabilities:												
Trade account payable .....		92.5		363.6		91.5		347.8		339.3		316.2
Loans .....		17.6		69.0		21.8		83.0		27.2		29.3
Salaries and social security taxes .....		26.8		105.5		31.2		118.4		94.8		59.9
Taxes .....		33.2		130.3		36.9		140.3		111.0		84.6
Other liabilities .....		1.3		5.2		2.1		8.0		10.5		9.7
Accrued litigation .....		15.3		60.2		16.5		62.8		52.8		39.9
Total current liabilities .....	U.S.\$	186.7	Ps.	733.8	U.S.\$	200.1	Ps.	760.3	Ps.	635.6	Ps.	539.6
Non-current liabilities:												
Trade account payable .....		12.4		48.6		12.3		46.9		40.2		35.5
Loans .....		182.3		716.7		186.2		707.5		913.1		949.1
Salaries and social security taxes .....		12.1		47.6		11.5		43.7		40.1		24.7
Taxes .....		2.2		8.8		2.5		9.4		—		—
Other liabilities <sup>(1)</sup> .....		196.2		771.4		160.7		610.8		369.0		281.4
Accrued litigation .....		2.6		10.1		2.6		10.1		45.1		42.8
Total non-current liabilities .....		407.8		1,603.1		375.9		1,428.3		1,407.5		1,333.5
Total liabilities .....	U.S.\$	594.5	Ps.	2,337.0	U.S.\$	575.9	Ps.	2,188.5	Ps.	2,043.1	Ps.	1,873.0
Shareholders' equity .....		554.8		2,180.9		574.3		2,182.2		2,091.6		1,974.6
Total liabilities and shareholders' equity .....	U.S.\$	1,149.3	Ps.	4,517.9	U.S.\$	1,150.2	Ps.	4,370.7	Ps.	4,134.6	Ps.	3,847.6

- (1) Includes the amounts collected through the PUREE, which as of December 31, 2009 and 2008 amounted to Ps. 233.3 million and Ps. 33.5 million, respectively. As of June 30, 2010, the amount retained from the PUREE amounted to Ps. 369.1 million. The Company is permitted to retain funds from the PUREE that it would otherwise be required to transfer to CAMMESA in order to reimburse the Company for the amounts it is owed under CMM increases not yet reflected in the distribution margin.

## Operating Data

	Six-month period ended		Year ended December 31,		
	June 30,		2009	2008	2007
	2010	2009	2009	2008	2007
Energy sales (in GWh):					
Residential.....	3,756	3,620	7,344	7,545	7,148
Small commercial.....	775	745	1,470	1,530	1,485
Medium commercial.....	807	784	1,565	1,597	1,552
Industrial.....	1,653	1,571	3,204	3,277	3,628
Wheeling system <sup>(1)</sup> .....	1,916	1,756	3,622	3,700	3,111
Others:					
Public lighting.....	327	325	644	644	643
Shantytowns.....	174	158	351	304	301
Others <sup>(2)</sup> .....	10	10	20	19	19
Customers (in thousands) <sup>(3)</sup> .....	2,632	2,572	2,605	2,537	2,490
Energy losses.....	12.4%	11.6%	11.9%	10.8%	11.6%
MWh sold per employee.....	6,912.9	6,955.8	6,936.1	7,392.8	7,230.6
Customers per employee.....	959	989	978	997	998

- (1) Wheeling charges represent our tariffs for large users, which consist of a fixed charge for recognized technical losses and a charge for our distribution margins but exclude charges for electric power purchases, which are undertaken directly between generators and large users.
- (2) Represents energy consumed internally by our company and our facilities.
- (3) We define a customer as one meter. We may supply more than one consumer through a single meter. In particular, because we measure our energy sales to each shantytown collectively using a single meter, each shantytown is counted as a single customer. See "Management's Discussion and Analysis of Financial Condition and Results of Operations —Factors affecting our results of operations - Framework agreement (Shantytowns)."

## RISK FACTORS

*An investment in the notes involves a high degree of risk. You should carefully consider the risks described below before making an investment decision. Our business, financial condition and results of operations, including our ability to repay the notes, could be materially and adversely affected by any of these risks. The trading price of the notes could decline due to any of these risks, and you may lose all or part of your investment. The risks described below are those known to us and that we currently believe may materially affect us. Additional risks not presently known to us or that we currently consider immaterial may also impair our business.*

### **Risks relating to Argentina**

#### **Overview**

We are a limited liability corporation (*sociedad anónima*) incorporated under the laws of the Republic of Argentina and all of our revenues are earned in Argentina and substantially all of our operations, facilities, and customers are located in Argentina. Accordingly, our financial condition and results of operations depend to a significant extent on macroeconomic and political conditions prevailing in Argentina. For example, lower economic growth or economic recession could lead to lower demand for electricity in our concession area or a decline in purchasing power of our customers, which, in turn, could lead to lower collections from our clients or growth in energy losses due to illegal use of our service. Argentine government actions concerning the economy, including decisions with respect to inflation, interest rates, price controls, foreign exchange controls and taxes, have had and could continue to have a material adverse effect on private sector entities, including us. To address Argentina's economic crisis in 2001 and 2002, for example, the Argentine government took measures, such as the freeze of electricity distribution margins and pesification of our tariffs, which had a severe effect on our financial condition and led us to suspend payments on our financial debt. We cannot provide any assurance whether the Argentine government will adopt other policies that could adversely affect the economy or our business. In addition, we cannot provide any assurance that future economic, social and political developments in Argentina, over which we have no control, will not impair our business, financial condition or results of operations, as well as our ability to repay the notes.

***The global financial crisis and unfavorable credit and market conditions that commenced in 2007 have affected and could continue to negatively affect the Argentine economy and may negatively affect our liquidity, customers, business, and results of operations, as well as our ability to repay the notes***

The ongoing effects of the global credit crisis and related turmoil in the global financial system may have a negative impact on our business, financial condition and results of operations, an impact that is likely to be more severe on an emerging market economy, such as Argentina. The effect of this economic crisis on our customers and on us cannot be predicted. Weak economic conditions could lead to reduced demand for energy, which could have a negative effect on our revenues. In addition, our ability to access the credit or capital markets may be restricted at a time when we would need financing, which could have an impact on our flexibility to react to changing economic and business conditions. For these reasons, any of the foregoing factors or a combination of these factors could have an adverse effect on our results of operations and financial condition, as well as our ability to repay the notes.

***Argentina's economic recovery since the 2001 economic crisis may not be sustainable in light of current economic conditions, and any significant decline could adversely affect our financial condition***

During 2001 and 2002, Argentina went through a period of severe political, economic and social crisis. Although the economy has recovered significantly since the 2001 crisis, uncertainty remains as to the sustainability of economic growth and stability. Although Argentina's economy continued to grow in 2009, growth occurred at a less rapid pace than in the previous six years, due to the economic slowdown that started in the last quarter of 2008 and that continued into 2009. Sustainable economic growth is dependent on a variety of factors, including international demand for Argentine exports, the stability and competitiveness of the Peso against foreign currencies, confidence among consumers and foreign and domestic investors and a stable and relatively low rate of inflation.

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

- unemployment remains high;
- the availability of long-term fixed rate credit is scarce;
- investment as a percentage of GDP remains low;
- the current fiscal surplus is at risk of becoming a fiscal deficit;
- inflation has risen recently and threatens to accelerate;
- the regulatory environment continues to be uncertain;
- the country's public debt remains high and international financing is limited; and
- the recovery has depended to some extent on high commodity prices, which are volatile and beyond the control of the Argentine government.

As in the recent past, Argentina's economy may suffer if political and social pressures inhibit the implementation by the Argentine government of policies designed to maintain price stability, generate growth and enhance consumer and investor confidence. This, in turn, could lead to lower demand for our services as well as lower collection rates from clients and growth in energy losses due to illegal use of our services, which could materially adversely affect our financial condition and results of operations, as well as our ability to repay the notes. Furthermore, as it has done in the past, the Argentine government could respond to a lack of economic growth or stability by adopting measures that affect private sector enterprises, including the tariff restrictions imposed on public utility companies such as several of our subsidiaries.

We cannot provide any assurance that a decline in economic growth or increased economic instability, developments over which we have no control, would not have an adverse effect on our business, financial condition or results of operations, as well as our ability to repay the notes.

***A return to a high inflation environment may have adverse effects on the Argentine economy, which could, in turn, have a material adverse effect on our results of operations***

According to data published by the National Statistics and Census Institute (*Instituto Nacional de Estadística y Censos*, or INDEC), the rate of inflation reached 7.7% in 2009, 7.2% in 2008 and 8.5% in 2007. In the first six months of 2010, the rate of inflation was 5.9% (on a non-annualized basis). Over the course of the past several years, the Argentine government has implemented several programs to control inflation and monitor prices for most relevant goods and services. These government actions included price support arrangements agreed to by the Argentine government and private sector companies in several industries and markets.

Despite the relatively flat rate of change in inflation in the past two years, uncertainty surrounding future inflation and the current economic situation could slow economic recovery. In the past, inflation has materially undermined the Argentine economy and the government's ability to create conditions that permit growth. A return to a high inflation environment would also undermine Argentina's foreign competitiveness by diluting the effects of the Peso devaluation, with the same negative effects on the level of economic activity. In turn, a portion of the Argentine debt is adjusted by the Stabilization Coefficient (*Coefficiente de Estabilización de Referencia*, or CER Index), a currency index that is strongly related to inflation. Therefore, any significant increase in inflation would cause an increase in the external debt and consequently in Argentina's financial obligations, which could further exacerbate the stress on the Argentine economy. A high inflation environment could also temporarily undermine our results of operations as a result of a lag in cost adjustments, and we may be unable to adjust our tariffs accordingly. In addition, a return to high inflation would undermine the confidence in Argentina's banking system in general, which would further limit the availability of domestic and international credit to businesses, which could adversely affect our ability to finance our working capital needs on favorable terms, and adversely affect our results of operations, as well as our ability to repay the notes.

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

In January 2007, INDEC modified its methodology used to calculate the consumer price index (CPI), which is calculated as the monthly average of a weighted basket of consumer goods and services that reflects the pattern of consumption of Argentine households. Several economists as well as the international and Argentine press have suggested that this change in methodology was related to the Argentine government's policy aimed at curbing inflation. Further, at the time that INDEC adopted this change in methodology, the Argentine government also replaced several key personnel at INDEC. The alleged governmental interference prompted complaints from the technical staff at INDEC, which, in turn, has led to the initiation of several judicial investigations involving members of the Argentine government aimed at determining whether there was a breach of classified statistical information relating to the collection of data used in the calculation of the CPI. These events have affected the credibility of the CPI index published by INDEC, as well as other indexes published by INDEC that require the CPI for their own calculation, including the poverty index, the unemployment index as well as the calculation of the GDP, among others. If these investigations result in a finding that the methodologies used to calculate the CPI or other INDEC indexes derived from the CPI were manipulated by the Argentine government, or if it is determined that it is necessary to correct the CPI and the other INDEC indexes derived from the CPI as a result of the methodology used by INDEC, there could be a significant decrease in confidence in the Argentine economy. With credit to emerging market nations already tenuous as a result of the global economic crisis, our ability to access credit and capital markets to finance our operations and growth in the future could be further limited by the uncertainty relating to the accuracy of the economic indices in question which could adversely affect our results of operations and financial conditions, as well as our ability to repay the notes.

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

In 2005, Argentina restructured part of its sovereign debt that had been in default since the end of 2001. The Argentine government announced that as a result of this restructuring, it had approximately U.S. \$129.2 billion in total gross public debt as of December 31, 2005. As of December 31, 2009, Argentina's total gross public debt was U.S. \$147.1 billion. The debt on securities that were eligible for, but did not participate in, the 2005 restructuring totaled U.S. \$29.8 billion as of December 31, 2009. However, in July 2010 the Argentine restructured an additional U.S. \$12.8 billion of such securities.

Some bondholders in the United States, Italy and Germany have filed legal actions against Argentina and holdout creditors may initiate new suits in the future. Additionally, foreign shareholders of several Argentine companies, including public utilities and a group of bondholders that did not participate in the 2005 sovereign restructuring, have filed claims totaling approximately U.S. \$16.5 billion before International Centre for Settlement of Investment Disputes (ICSID) alleging that certain government measures were inconsistent with the fair and equitable treatment standards set forth in various bilateral investment treaties to which Argentina is a party. To date, ICSID has rendered several decisions against Argentina requiring the Argentine government to pay approximately U.S. \$915 million plus interest in claims and legal fees. In 2009, three groups of bondholders that declined to participate in the 2005 restructuring of the external public debt presented claims before the ICSID totaling over U.S. \$4.4 billion.

Argentina's past default and its failure to restructure completely its remaining sovereign debt and fully negotiate with the holdout creditors may limit Argentina's ability to reenter the international capital markets. Litigation initiated by holdout creditors as well as ICSID claims have resulted and may continue to result in judgments and awards against the Argentine government which, if not paid, could prevent Argentina from obtaining credit from multilateral organizations. Judgment creditors have sought and may continue to seek to attach or enjoin assets of Argentina. In addition, various creditors have organized themselves into associations to engage in lobbying and public relations concerning Argentina's default on its public indebtedness. Such groups have over the years unsuccessfully urged passage of federal and New York state legislation directed at Argentina's defaulted debt and aimed at limiting Argentina's access to the U.S. capital markets. Although neither the United States Congress nor the New York state legislature has taken any significant steps towards adopting such legislation, we can make no

assurance that legislation or other political actions designed to limit Argentina's access to capital markets will not take effect.

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

***Significant fluctuations in the value of the Peso against the U.S. Dollar may adversely affect the Argentine economy, which could, in turn adversely affect our results of operations, as well as our ability to repay the notes***

Despite the positive effects the depreciation of the Peso in 2002 had on the export-oriented sectors of the Argentine economy, the depreciation has also had a far-reaching negative impact on a range of businesses and on individuals' financial positions. The devaluation of the Peso had a negative impact on the ability of Argentine businesses to honor their foreign currency-denominated debt, led to very high inflation initially, significantly reduced real wages, had a negative impact on businesses whose success is dependent on domestic market demand, including public utilities and the financial industry, and adversely affected the government's ability to honor its foreign debt obligations. If the Peso devalues significantly, all of the negative effects on the Argentine economy related to such devaluation could recur, with adverse consequences to our businesses, our results of operations and our ability to repay the notes.

Similarly, a substantial increase in the value of the Peso against the U.S. Dollar also presents risks for the Argentine economy, including, for example, a reduction in exports. This could have a negative effect on economic growth and employment and reduce the Argentine public sector's revenues by reducing tax collection in real terms, all of which could have a material adverse effect on our business as a result of the weakening of the Argentine economy in general.

***Government measures to address social unrest may adversely affect the Argentine economy and thereby affect our business and results of operations.***

During the economic crisis in 2001 and 2002, Argentina experienced social and political turmoil, including civil unrest, riots, looting, nationwide protests, strikes and street demonstrations. Despite the economic recovery and relative stability since 2002, social and political tensions and high levels of poverty and unemployment continue. Future government policies to preempt, or respond to, social unrest may include expropriation, nationalization, forced renegotiation or modification of existing contracts, suspension of the enforcement of creditors' rights and shareholders' rights, new taxation policies, including royalty and tax increases and retroactive tax claims, and changes in laws, regulations and policies affecting foreign trade and investment. These policies could destabilize the country, both socially and politically, and adversely and materially affect the Argentine economy.

In March 2008, the Argentine Ministry of Economy and Production announced the adoption of new taxes on exports of a number of agricultural products. The taxes were to be calculated at incremental rates as the price for the exported products increase, and represented a significant increase in taxes on exports by the agricultural sector in Argentina. The adoption of these taxes met significant opposition from various political and economic groups with ties to the Argentine agricultural sector, including strikes by agricultural producers around the country, roadblocks to prevent the circulation of agricultural goods within Argentina and massive demonstrations in the City of Buenos Aires and other major Argentine cities. Although these measures did not pass the Argentine congress, we cannot make assurances that the Argentine government will not seek to reintroduce the export taxes or adopt other measures affecting this or other sectors of the economy (including the electricity sector) to compensate for the lost revenues associated with these taxes. These uncertainties could lead to further social unrest that could adversely affect the Argentine economy. In addition, economic distress may lead to lower demand for energy, lower collections from our clients, as well as growth of energy losses due to illegal use of our services. We may also experience increased damages to our networks as a result of protesters or illicit activity, which may increase as a result of the decline in

economic conditions, all of which, in turn may have a material adverse effect on our financial condition and results of operations, as well as our ability to repay the notes.

***Exchange controls, transfer restrictions and other policies of the Argentine government have limited and can be expected to continue to limit the availability of international and local credit or otherwise adversely affect our business, as well as our ability to repay the notes***

In 2001 and the first half of 2002, Argentina experienced a massive withdrawal of deposits from the Argentine financial system in a short period of time, which precipitated a liquidity crisis within the Argentine financial system and prompted the Argentine government to impose exchange controls and restrictions on the ability of depositors to withdraw their deposits. Some of these restrictions have been substantially eased. However, in June 2005 the Argentine government adopted various other rules and regulations that established restrictive controls on capital inflows. Among the 2005 restrictions is a requirement that for certain funds remitted into Argentina an amount equal to 30% of the funds be deposited into an account with a local financial institution as a U.S. Dollar deposit for one year without such deposit accruing interest, yielding any other kind of benefit or being posted as collateral for any transaction. See “Exchange Rates—Exchange Controls.” In the event of a future shock, the Argentine government could impose further exchange controls or restrictions on the movement of capital and take other measures that could limit our ability to access international capital markets, impair our ability to make interest or principal payments abroad or adversely affect our business and results of operations.

In recent years a significant portion of the local demand for debt of Argentine companies has come from the private Argentine pension funds. In response to the global economic crisis, in December 2008, the Argentine Congress passed a law unifying the Argentine pension and retirement system into a system publicly administered by the National Social Security Agency (*Administración Nacional de la Seguridad Social*, or ANSES) and eliminating the retirement savings system previously administered by private pension funds. In accordance with the new law, private pension funds transferred all of the assets administered by them under the retirement savings system to the ANSES. It is difficult to evaluate the real impact of this measure, but after these changes the demand for local debt in Argentina has been negatively affected. A significant decrease in the demand for local debt could have an adverse impact on our ability to raise capital to refinance our indebtedness or finance capital expenditures, which could adversely affect our ability to repay the notes.

***The Argentine economy could be adversely affected by economic developments in other global markets***

Financial and securities markets in Argentina are influenced, to varying degrees, by economic and market conditions in other global markets. Although economic conditions vary from country to country, investors’ perception of the events occurring in one country may substantially affect capital flows into and securities from issuers in other countries, including Argentina. The Argentine economy was adversely impacted by the political and economic events that occurred in several emerging economies in the 1990s, including Mexico in 1994, the collapse of several Asian economies between 1997 and 1998, the economic crisis in Russia in 1998 and the Brazilian devaluation of its currency in January 1999. In addition, Argentina continues to be affected by events in the economies of its major regional partners, including, for example, currency devaluations caused by the global economic crisis.

Furthermore, the Argentine economy may be affected by events in developed economies which are trading partners or that impact the global economy. Economic conditions and credit availability in Argentina were affected by an economic and banking crisis in the United States in 2008 and 2009. When the crisis began, major financial institutions suffered considerable losses, investor confidence in the global financial system was shaken and various financial institutions required government bailouts or ceased operations altogether. Moreover, in recent months several European Union members have been obliged to reduce their public expenditures due to their high indebtedness rates, which has negatively impacted the Euro zone’s economy. Also, Japan has announced that it will cut fiscal expenditures. The deterioration in any area of the global economy, as well as the economic conditions in our principal regional partners, including the members of Mercosur, could have an adverse material effect on the Argentine economy and, indirectly, on our business, financial condition and results of operations, as well as our ability to repay the notes.

## **Risks relating to the electricity distribution sector**

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

To address the Argentine economic crisis in 2001 and 2002, the Argentine government adopted the Public Emergency Law and other resolutions, which made a number of material changes to the regulatory framework applicable to the electricity sector. These changes, which severely affected electricity distribution companies, included the freezing of distribution margins, the revocation of adjustment and inflation indexation mechanisms and a limitation on charging our customers the increases of certain regulatory charges. In addition, a new price-setting mechanism was introduced in the wholesale electricity market, which had a significant impact on electricity generators and has led to significant price mismatches between participants in our market. The Argentine government continues to intervene in this sector, including granting temporary margin increases, proposing a new social tariff regime for residents of poverty-stricken areas, creating specific charges to raise funds that are transferred to government-managed trust funds that finance investments in distribution infrastructure and mandating investments for the construction of new generation plants and the expansion of existing transmission and distribution networks. We cannot make assurances that these or other measures that may be adopted by the Argentine government will not have a material adverse effect on our business and results of operations or that the Argentine government will not adopt emergency legislation similar to the Public Emergency Law, or other similar resolutions, in the future that may further increase our regulatory obligations, including increased taxes, unfavorable alterations to our tariff structures and other regulatory obligations, compliance with which would increase our costs and have a direct negative impact on our results of operations, as well as our ability to repay the notes.

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

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

### ***Electricity demand has grown significantly in recent periods and may be affected by recent or future tariff increases, which could lead distribution companies, such as us, to record lower revenues***

During the 2001 economic crisis, electricity demand in Argentina decreased due to the decline in the overall level of economic activity and the deterioration in the ability of many consumers to pay their electricity bills. Despite the decline in the electricity demand registered in 2009, in the years following the economic crisis of 2001 electricity demand experienced significant growth, increasing an estimated average of approximately 5.8% per annum from 2003 through 2008. This increase in demand reflects the relative low cost, in real terms, of electricity to consumers due to the freeze of distribution margins and the elimination of the inflation adjustment provisions in distribution concessions coupled with the devaluation of the Peso and inflation. The executive branch of the Argentine government granted temporary increases in distribution margins, and we are currently negotiating further



increases and adjustments to our tariff schemes with the Argentine government. Increases in electricity distribution margins, which increase the cost of electricity to residential customers, may have a negative effect on demand, and we cannot make any assurances that these increases or any future increases in the relative cost of electricity (including increases on tariffs for residential users) will not have a material adverse effect on electricity demand or a decline in collections from customers which, in turn, may lead electricity distribution companies, such as us, to record lower revenues and results of operations than currently anticipated, which may affect our ability to repay the notes.

***Energy shortages may act as a brake on growing demand for electricity and disrupt distribution companies' ability to deliver electricity to their customers, which could result in customer claims and material penalties imposed on these companies***

In recent years, the condition of the Argentine electricity market has provided little incentive to generators to further invest in increasing their generation capacity, which would require material long-term financial commitments. As a result, Argentine electricity generators are currently operating at near full capacity and could be required to ration supply in order to meet a national energy demand that exceeds the current generation capacity. In addition, the economic crisis and the resulting emergency measures had a material adverse effect on other energy sectors, including oil and gas companies, which has led to a significant reduction in natural gas supplies to generation companies that use this commodity in their generation activities. In an attempt to address this situation, in September 2006 the Argentine government adopted measures requiring large industrial users to limit their energy consumption to their "base demand" (equal to their demand in 2005) and to secure any additional energy needs in excess of their base demand from sources other than the national grid. Large users that do not comply with these measures can be subject to penalties imposed by the Argentine government. These measures, however, have not led to a significant reduction in demand by these users, despite requests from, and penalties imposed by, the Argentine government. As a result, electricity generators may not be able to guarantee the supply of electricity to distribution companies, which, in turn, could prevent these companies, including our company, from experiencing continued growth in their businesses and could lead to failures to provide electricity to customers. Under Argentine law, distribution companies are responsible to their customers for any disruption in the supply of electricity. As a result, distribution companies may face customer claims and fines and penalties for disruptions caused by energy shortages unless the relevant Argentine authorities determine that energy shortages constitute *force majeure*. To date, the Argentine authorities have not been called upon to decide under which conditions energy shortages may constitute *force majeure*. In the past, however, the Argentine authorities have recognized the existence of *force majeure* only in limited circumstances, such as internal malfunctions at the customer's facilities, extraordinary meteorological events (such as major storms) and third party work in public thoroughfares. We cannot make assurances that we will not experience a lack of energy supply that could adversely affect our business, financial condition and results of operations, as well as our ability to repay the notes.

#### **Risks relating to our business**

***Our business and prospects depend on our ability to negotiate further improvements to our tariff structure, including increases in our distribution margin***

We are currently engaged in an integral tariff revision process (*Revisión Tarifaria Integral*, or RTI) with the ENRE, as required by the Adjustment Agreement. The goal of the RTI is to achieve a comprehensive revision of our tariff structure, including further increases in our distribution margins and periodic adjustments based on changes in our cost base, to provide us with an adequate return on our asset base. Although we believe the RTI will result in a new tariff structure, we cannot make assurances that the RTI will conclude in a timely manner or at all, or that the new tariff structure will effectively cover all of our costs or provide us with an adequate return on our asset base. Moreover, the RTI could result in the adoption of an entirely new regulatory framework for our business, with additional terms and restrictions on our operations and the imposition of mandatory investments. We also cannot predict whether a new regulatory framework will be implemented and what terms or restrictions could be imposed on our operations. If we are not successful in achieving a satisfactory renegotiation of our tariff structure, our business, financial condition and results of operations may be adversely affected, as well as our ability to repay the notes.

***We may not be able to adjust our tariffs to reflect increases in our distribution costs in a timely manner, or at all, which may have a material adverse effect on our results of operations***

The Adjustment Agreement currently contemplates a cost adjustment mechanism for the transition period during which the RTI is being conducted. This mechanism, known as the Cost Monitoring Mechanism (CMM), requires the ENRE to review our actual distribution costs every six months (in May and November of each year) and adjust our distribution margins to reflect variations of 5% or more in our distribution cost base. We may also request that the ENRE apply the CMM at any time that the variation in our distribution cost base is at least 10% or more. Any adjustments, however, are subject to the ENRE's assessment of variations in our costs, and we cannot guarantee that the ENRE will approve adjustments that are sufficient to cover our actual incremental costs. In the past, even when the ENRE has approved adjustments to our tariffs, there has been a lag between when we actually experience increases in our distribution costs and when we receive increased revenues following the corresponding adjustments to our distribution margins pursuant to the CMM. Despite the adjustment we were granted under the CMM in October 2007 and July 2008, we cannot make assurances that we will receive similar adjustments in the future. As of the date of this offering memorandum we have requested four increases under the CMM beginning in May 2008 that are still being reviewed by the ENRE. Under the terms of the Adjustment Agreement, these five increases should have been approved in May 2008, November 2008, May 2009, November 2009 and May 2010. If we are not able to recover all of these incremental costs and all such future cost increases or there is a significant lag time between when we incur the incremental costs and when we receive increased revenues, we may experience a material decline in our results of operations, which could adversely affect our ability to repay the notes.

***Our tariff adjustments may be subject to challenge by Argentine consumer and other groups***

In November 2006, two Argentine consumer associations, Civil Association for Equality and Justice (*Asociación Civil por la Igualdad y la Justicia*, or ACIJ) and Consumers' Cooperative for Community Action (*Consumidores Libres Cooperativa Limitada de Provisión de Servicios de Acción Comunitaria*), brought an action against us and the Argentine government before a federal administrative court seeking to block the ratification of the adjustment of our tariffs on the grounds that the approval mechanism was unconstitutional. Because the court dismissed these claims and ruled in our favor, in April 2008, the ACIJ filed another complaint challenging the procedures utilized by the Argentine congress in approving these adjustments. In addition, in January 2009, the Public Ombudsman (*defensor del pueblo*) filed a complaint opposing the October 2008 adjustment to our tariffs, and naming us as a third-party defendant. On January 27, 2009, the ENRE notified us of a preliminary injunction, as a result of the Ombudsman's claim, pursuant to which we were ordered to refrain from cutting the energy supply to customers challenging the October 2008 tariff increase until a decision is reached with respect to the claim. We and the Argentine government have appealed the injunction several times, the resolution of which is still pending as of the date of this offering memorandum. See "Business—Legal Proceedings—Proceedings challenging the renegotiation of our concession—Preliminary injunction of the Public Ombudsman." We cannot make assurances regarding how these complaints will be resolved nor can we make assurances that other actions or requests for injunctive relief will not be brought by these or other groups seeking to reverse the adjustments we have obtained or to block any further adjustments to our distribution tariffs. If these legal challenges are successful and prevent us from implementing tariff adjustments granted by the Argentine government, we could face a decline in collections from distribution customers, and a decline in our results of operations, which may adversely affect our ability to repay the notes.

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

We operate in a highly regulated environment and have been and in the future may continue to be subject to significant fines and penalties by regulatory authorities, including for reasons outside our control, such as service disruptions attributable to problems at generation facilities or in the transmission network that result in a lack of electricity supply. After 2001, the amount of fines and penalties imposed on our company has increased significantly, which we believe is mainly due to the economic and political environment in Argentina following the recent economic crisis. Although the Argentine government has agreed to forgive a significant portion of our accrued fines and penalties pursuant to the Adjustment Agreement and to allow us to repay the remaining balance over time, this forgiveness and repayment plan is subject to a number of conditions, including compliance with quality of service standards, reporting obligations and required capital investments. As of June 30, 2010, our accrued fines and penalties totaled Ps. 402.4 million (taking into account our adjustment to fines and penalties

following the ratification of the Adjustment Agreement). If we fail to comply with any of these requirements, the Argentine government may seek to obtain payment of these fines and penalties by our company. In addition, we cannot make assurances that we will not incur material fines in the future, which could have a material adverse effect on our results of operations, as well as our ability to repay the notes.

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

Our concession does not allow us to pass through to our customers the cost of additional energy purchased to cover any energy losses that exceed the loss factor contemplated by our concession, which is, on average, 10%. As a result, if we experience energy losses in excess of those contemplated by our concession, we may record lower operating profits than we anticipate. Prior to the economic crisis in 2001, we had been able to reduce the high level of energy losses experienced at the time of the privatization to the levels contemplated (and reimbursed) under our concession. However, during the economic crisis, our level of energy losses, particularly our non-technical losses, started to grow again, in part as a result of the increase in poverty levels and, with it, the number of delinquent accounts and fraud. Our energy losses amounted to 11.9% in 2009. We cannot make assurances that our energy losses will not grow in future periods, which may lead us to have lower margins and could adversely affect our results of operations and financial condition, as well as our ability to repay the notes.

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

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

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

In 2009, the fines and penalties imposed on us by the ENRE amounted to Ps. 58.5 million, which represented 2.8% of our energy sales. See "Business—Our concession—Fines and penalties."

If the Argentine government were to foreclose its pledge over our Class A Shares, pending the sale of those shares, the Argentine government would also have the right to exercise the voting rights associated with the shares. In addition, the foreclosure by the Argentine government of the pledge on our Class A shares may be deemed to constitute a change of control under the terms of our restructured debt and our Senior Notes issued in October 2007, which would require us to offer to repurchase all such debt at its nominal value. We cannot make assurances that we will have sufficient funds or access to financing to effect such repurchases. If the Argentine government forecloses its pledge over our Class A shares, our results of operations and financial condition could be significantly affected, as well as our ability to repay the notes.

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

If the Argentine government breaches its obligations in such a way that we cannot comply with our obligation under the concession or in such a way that the distribution service is materially affected, we can request the termination of the concession, after giving the Argentine government 90 days' prior notice. Upon termination of the concession, all our assets used to provide electricity service would be transferred to a new state-owned company to be created by the Argentine government, whose shares would be sold in an international public bidding procedure. The amount obtained in such bidding would be paid to us, net of the payment of any debt owed by us to the Argentine government, plus compensation established as a percentage of the bidding price, ranging from 10% to 30% depending on the management period in which the sale occurs. Any such default could have a material adverse effect on our business and financial condition and our ability to comply with our obligations under the notes or to repay the notes.

***We employ a largely unionized labor force and could be subject to an organized labor action***

As of June 30, 2010, approximately 81% of our employees were union members and we have had an agreement in place with the two unions representing our employees since 1995. Although our relations with unions are currently stable, we cannot make assurances that we will not experience work disruptions or stoppages in the future, which could have a material adverse effect on our business and revenues, especially in light of the social tensions generated in Argentina by the economic crisis. We cannot make assurances that we will be able to negotiate salary agreements on the same terms as those currently in effect, or that we will not be subject to strikes or work stoppages before or during the negotiation process. If we are unable to negotiate salary agreements or if we are subject to strikes or work stoppages, our results of operations, financial condition and our ability to repay the notes could be adversely affected.

***We might incur material labor liabilities in connection with our outsourcing***

We have outsourced a number of activities related to our business to third party contractors in order to maintain a flexible cost base that allows us both to maintain a lower cost base and respond more quickly to changes in our market. We had approximately 3,430 third-party employees under contract with our company as of June 30, 2010. Although we have very strict policies regarding compliance with labor and social security obligations by our contractors, we are not in a position to ensure that contractors' employees will not initiate legal actions to seek indemnification from us based upon a number of judicial rulings issued by labor courts in Argentina recognizing joint and several liability between the contractor and the entity to which it is supplying services under certain circumstances. If we are not able to prevail in any of these proceedings, we might be forced to incur material labor liabilities, which may have an adverse effect on our results of operations, as well as our ability to repay the notes.

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

Our revenues are collected in Pesos pursuant to tariffs that are not indexed to the U.S. Dollar, while a significant portion of our existing financial indebtedness is denominated in U.S. Dollars, which exposes us to the risk of loss from devaluation of the Peso. We currently seek to hedge this risk in part by converting a portion of our excess cash denominated in Pesos into U.S. Dollars and investing those funds outside Argentina, as permitted by applicable Argentine Central Bank regulations and entering in currency forward contracts, but we continue to have substantial exposure to the U.S. Dollar. We cannot make assurances that the Argentine government will continue to allow us to access the market to acquire U.S. Dollars in the manner we have done so to date. Although we may also seek to enter into further hedging transactions to cover all or a part of our remaining exposure, we have not been able to hedge all of our exposure to the U.S. Dollar on terms we consider viable for our company. If we continue to be unable to effectively hedge all or a significant portion of our currency risk exposure, a devaluation of the Peso may significantly increase our debt service burden, which, in turn, may have a material adverse effect on our financial condition and results of operations, as well as our ability to repay the notes.

***Our insurance may not be sufficient to cover certain losses***

As of June 30, 2010, our physical assets are insured for up to U.S. \$ 568.8 million. However, we do not carry insurance coverage for losses caused by our network or business interruption, including loss of our concession. Although we believe that our insurance coverage is commensurate with standards for the international electricity distribution industry, no assurance can be given of the existence or sufficiency of risk coverage for any particular risk or loss. If an accident or other event occurs that is not covered by our current insurance policies, we may experience material losses or have to disburse significant amounts from our own funds, which may have a material adverse effect on our results of operations and financial condition, as well as our ability to repay the notes.

***A substantial number of our assets are not subject to attachment or foreclosure***

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

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

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

***Our exclusive right to distribute electricity may be adversely affected by technological or other changes in the energy distribution industry***

Although our concession grants us the exclusive right to distribute electricity within our service area, this exclusivity may be terminated in whole or in part if technological changes make it possible for the energy distribution industry to evolve from its present condition as a natural monopoly into a competitive business. Although, to our knowledge, there are currently no projects to introduce new technologies in the medium or long-term which could reasonably be expected to alter the current landscape of the electricity distribution business, we cannot make assurances that future developments will not introduce competition that would adversely affect the exclusivity right granted by our concession. Any total or partial loss of our exclusive right to distribute electricity within our service area would likely have a material adverse effect on our financial condition, results of operations and prospects, as well as our ability to repay the notes.

***Risks relating to the notes***

***We may be able to incur substantially more debt, and our indebtedness could adversely affect our financial condition***

As of June 30, 2010, the total aggregate principal amount of our outstanding indebtedness was Ps. 780.9 million, including U.S. \$176.6 million in U.S. Dollar-denominated debt. Subject to the restrictions in the indenture governing the notes and in other instruments governing our outstanding debt, including the restructuring notes and the Senior Notes issued in October 2007, we may be able to incur substantial additional debt in the future, which could be structurally senior to the notes, including secured debt and sale and leaseback transactions. See "Description of the Notes" for further information. Although the terms of the Indenture governing the notes and the

instruments governing certain of our other outstanding debt contain restrictions on the incurrence of additional debt, these restrictions are subject to a number of exceptions, and debt incurred in compliance with these restrictions could be substantial. To the extent new debt is added to our current debt levels, we will be required to use a greater portion of future cash flow from operations to service the principal and interest payments on our indebtedness, which will reduce the funds available for operations, including capital investments. This could make it difficult for us to refinance our indebtedness (or to refinance such indebtedness on acceptable terms) and/or increase the possibility of an event of default under the financial and operating covenants contained in our debt instruments. Any of these events could have a material adverse effect on our financial condition and results of operations, as well as our ability to repay the notes.

***If we fail to meet our debt service obligations, we may be required to restructure our debt and if we are unable to do so, we may be forced into reorganization or bankruptcy proceedings***

Our ability to meet our debt service requirements, including our obligations with respect to the notes, depends on our future performance, which is subject to a number of factors, many of which are outside our control, such as our ability to obtain tariff increases. We cannot assure you that we will generate sufficient cash flow from operating activities to meet our debt service and working capital requirements. If we are unable to generate sufficient cash flow from operations in the future to make scheduled principal or interest payments on our debt when due, we may be required to refinance all or a portion of our existing debt, including the notes, or to obtain additional financing. We cannot assure you that any such refinancing would be possible or that any additional financing could be obtained. Our inability to obtain such refinancing or financing may have a material adverse effect on our operations and the holders of our notes. Furthermore, if we are not able to service our debt our creditors may require the immediate repayment of their debt and seek other remedies, including the attachment of our attachable assets. In this case, we cannot assure you that we will be able to reach an agreement with our creditors to restructure our outstanding debt as successfully as in the past or at all. If we are not able to reach a satisfactory agreement with our creditors, we will likely be forced to commence reorganization or bankruptcy proceedings under Argentine bankruptcy law, which could adversely affect our ability to repay the notes.

***Our assumptions and estimates may prove to be inaccurate, and we may be unable to pay interest or principal on the notes***

We continue to operate in an unstable and uncertain political, economic and regulatory environment. Factors that have already materially and adversely affected our results of operations and financial condition, including, among others, our ability to obtain tariff increases, price controls and foreign exchange controls may continue to place significant strains on our results of operations and liquidity. Our future ability to service our debt obligations will depend upon the accuracy of certain assumptions beyond our control that will affect our business, including, without limitation with respect to:

- the exchange rate of Pesos for U.S. Dollars during the term of the notes;
- the outcome of the RTI process with the ENRE; and
- any adverse change to the electricity regulatory framework.

If any of these assumptions prove to be incorrect or these factors deteriorate, if unforeseen events occur that materially and adversely affect our operations or if there are restrictions on our ability to transfer funds abroad, we may not be able to make payments of interest or principal due on the notes.

***Our ability to operate our business will be constrained by restrictions and limitations imposed by the indenture and by the terms of our outstanding financial debt***

The terms of the notes will contain certain operating and financial restrictions and covenants that may adversely affect our ability to finance our future operations or capital needs or to engage in certain business activities. In addition, the notes issued in our debt restructuring also contain certain operating and financial restrictions and covenants that may adversely affect our ability to finance our future operations or capital needs or to engage in certain business activities. In general, these agreements limit our ability to, among other things:

- make capital expenditures;
- sell assets;
- incur additional debt; and
- make investments.

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and capital resources—Debt” and “Description of the Notes” for a description of these restrictions. These restrictions may adversely affect our financial condition and results of operations, as well as our ability to repay the notes.

***We may not have the ability to raise the funds necessary to finance a change of control offer required by the indenture and other terms of our outstanding financial debt***

If we undergo a change of control (as defined in the indenture and the indentures governing our restructuring notes and our Senior Notes issued in October 2007), we may need to refinance a material portion of our debt, including the notes. Under these indentures, if a change of control occurs, we must offer to buy back the notes governed by each such indenture for a price equal to 100% of the aggregate principal amount of the notes, plus any accrued and unpaid interest and additional amounts, if any. We may not have sufficient funds available to us to make the required repurchases of the notes upon a change of control. If we fail to repurchase the notes in those circumstances, there may be an event of default under the corresponding indenture, which may, in turn, trigger cross-default provisions in our other debt instruments then outstanding.

***If an active trading market for the notes does not develop, the liquidity and market value of the notes could be harmed***

The notes are new securities with no established trading market or prior trading history. Although we intend to list the notes on the Luxembourg Stock Exchange, we cannot provide any assurance regarding the future development of markets for the notes, the ability of holders of the notes to sell or the prices for which holders may be able to sell their notes. If the notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and our financial performance. We cannot provide any assurance that an active trading market for the notes will develop, or, if one does develop, that it will be maintained. If an active trading market for the notes does not develop or is not maintained, the market price and liquidity of the notes may be adversely affected.

***The notes will be subject to transfer restrictions that may adversely affect the value of the notes***

The notes have not been registered under the Securities Act or any state securities laws. The notes may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Prospective investors should be aware that investors may be required to bear the financial risks of this investment for an indefinite period of time. See “Transfer Restrictions” for a full explanation of such restrictions.

***If we entered into a bankruptcy, liquidation, a procedure under Articles 517 through 519 of the Federal Civil and Commercial Procedure Code or similar proceeding, subordinated and unsubordinated debt would be given the same priority***

In a bankruptcy, liquidation or restructuring proceeding under Argentine law, subordination agreements could be disregarded. In such case, subordinated and unsubordinated creditors, including holders of notes, would have the same priority. The Indenture allows us and certain subsidiaries to incur subordinated debt. Accordingly in the case of bankruptcy, you may not have priority as a noteholder over a holder of any subordinated debt we may issue.

## **USE OF PROCEEDS**

We will receive estimated net proceeds from the sale of the notes in this offering of approximately U.S. \$138,480,000 million, after payment of commissions and expenses. We will apply the net cash proceeds of this offering to refinance a portion of our indebtedness, including the repurchase of outstanding Senior Notes due 2017 that are validly tendered for cash in the Concurrent Tender Offer, and for capital expenditures and working capital purposes.



### RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratios of earnings to fixed charges for each year in the three-year period ended December 31, 2009 and for the six-month period ended June 30, 2010. These ratios have been calculated on the basis of financial information prepared in accordance with Argentine GAAP. Earnings for this purpose consist of earnings before income taxes, plus fixed charges and amortization of capitalized interest and minus interest capitalized during the period. Fixed charges for these purposes consist of interest expense plus interest capitalized during the period. Fixed charges do not take into account gain or loss from monetary position or exchange gain or loss attributable to our indebtedness.

	<u>Six-month period ended June 30,</u>	<u>Year ended December 31,</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Argentine GAAP</b>				
Ratio of Earnings to Fixed Charges.....	1.11	2.27	2.20	3.68

## EXCHANGE RATES

From April 1, 1991 until the end of 2001, the Convertibility Law established a fixed exchange rate under which the Central Bank was obliged to sell U.S. Dollars at a fixed rate of one Peso per U.S. Dollar. On January 6, 2002, the Argentine Congress enacted the Public Emergency Law, formally putting an end to the regime of the Convertibility Law and abandoning over ten years of U.S. Dollar-Peso parity. The Public Emergency Law grants the executive branch of the Argentine government the power to set the exchange rate between the Peso and foreign currencies and to issue regulations related to the foreign exchange market. The Public Emergency law has been extended until December 31, 2011. For a brief period following the end of the Convertibility Regime, the Public Emergency Law established a temporary dual exchange rate system. Since February 2002, the Peso has been allowed to float freely against other currencies.

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

	Low	High	Average	Period End
	(Pesos per U.S. Dollar)			
<b>Year ended December 31,</b>				
2005.....	2.86	3.04	2.92 <sup>(1)</sup>	3.03
2006.....	3.03	3.11	3.07 <sup>(1)</sup>	3.06
2007.....	3.06	3.18	3.12 <sup>(1)</sup>	3.15
2008.....	3.01	3.47	3.16 <sup>(1)</sup>	3.45
2009.....	3.45	3.88	3.73 <sup>(1)</sup>	3.80
<b>Month</b>				
March 2010 .....	3.86	3.88	3.86 <sup>(2)</sup>	3.88
April 2010 .....	3.86	3.89	3.88 <sup>(2)</sup>	3.89
May 2010 .....	3.89	3.93	3.90 <sup>(2)</sup>	3.93
June 2010 .....	3.92	3.94	3.93 <sup>(2)</sup>	3.93
July 2010.....	3.93	3.94	3.94 <sup>(2)</sup>	3.94
August 2010 .....	3.94	3.95	3.93	3.95
September 2010 <sup>(3)</sup> .....	3.94	3.97	3.95	3.97

Source: Banco Nación

- (1) Represents the average of the exchange rates on the last day of each month during the period.
- (2) Represents the average of the lowest and highest daily rates in the month.
- (3) Represents the corresponding exchange rates from September 1 through September 28, 2010.

### Exchange Controls

Prior to December 1989, the Argentine foreign exchange market was subject to exchange controls. From December 1989 until April 1991, Argentina had a freely floating exchange rate for all foreign currency transactions, and the transfer of dividend payments in foreign currency abroad and the repatriation of capital were permitted without prior approval of the Central Bank. From April 1, 1991, when the Convertibility Law became effective, until December 21, 2001, when the Central Bank decided to close the foreign exchange market, the Argentine currency was freely convertible into U.S. Dollars.

On December 3, 2001, the Argentine government imposed a number of monetary and currency exchange control measures through Decree 1570/01, which included restrictions on the free disposition of funds deposited with banks and tight restrictions on transferring funds abroad without the Central Bank's prior authorization subject to specific exceptions for transfers related to foreign trade. Beginning in January 2003, the Central Bank has gradually eased these restrictions and expanded the list of transfers of funds abroad that do not require its prior authorization. However, in June 2003 the Argentine government instituted restrictions on capital flows into Argentina, which mainly consisted of a prohibition against the transfer abroad of any funds until 180 days after their entry into the country.

In June 2005, the Argentine government issued Decree 616/05, which established additional restrictions on capital flows. Pursuant to the decree, all indebtedness of Argentine residents within the private sector is required to be agreed upon and repaid not prior to 365 days from the date of entry of the funds into Argentina, regardless of the form of repayment. The decree outlines several types of transaction that are exempt from its requirements, including foreign trade financings, foreign trade balances of those entities authorized to carry out foreign exchange, and primary offerings of debt securities issued pursuant to a public offering and listed on a self-regulated market.

In addition, the decree, as supplemented by subsequent regulations, stipulates that all capital inflows of residents exceeding U.S. \$2 million per month, as well as all capital inflows of non-residents settled in the local exchange market destined for local money holdings, acquisition of active or passive private sector financings and investments in securities issued by the public sector that are acquired in secondary markets (excluding foreign direct investment, which includes capital contributions to local companies of direct investments (namely, a company in which the foreign direct investor holds at least 10% of ordinary shares or voting rights, or its equivalent), and primary offerings of debt securities issued pursuant to a public offering and listed on a self-regulated market), must meet certain requirements, including those outlined below:

- such funds may be transferred only outside the local exchange market after a 365-day period from the date of entry of the funds into Argentina;
- any Pesos resulting from the exchange of such funds are to be credited to an account within the Argentine banking system; and
- except for certain type of capital inflows, a non-transferable, non-interest-bearing U.S. Dollar-denominated mandatory deposit must be maintained for a term of 365 calendar days, in an amount equal to 30% of any such inflow of funds to the local foreign exchange market (which mandatory deposit may not be used as collateral or guaranty for any transaction).

In addition, on November 16, 2005, the Ministry of Economy and Production issued Resolution 637/05, pursuant to which Decree 616/05 was regulated, providing that any inflow of funds to the local exchange market in connection with an initial public offering of securities, bonds or certificates issued by a trustee under a trust, whether or not such trust is publicly offered and listed in a self-regulated market, shall comply with all requirements provided for section 4 of Decree 616/05 whenever such requirements are applicable to the inflow of funds to the local exchange market in connection with the acquisition of any of the assets under the trust.

The transfer abroad of dividend payments is currently authorized by applicable regulations to the extent such dividend payments are made in connection with audited financial statements approved by a shareholders' meeting. Any breach of the provisions of Decree No. 616/05 or any other foreign exchange regulation is subject to criminal penalties of the laws governing the Argentine exchange market.

### **Money laundering**

On April 13, 2000, the Argentine Congress passed Law No. 25,246 (the Law of Money Laundering), which establishes an administrative criminal system and supersedes various sections of the Argentine Penal Code relating to money laundering. This law defines money laundering as a crime, stating that a crime is committed whenever a person converts, transfers, manages, sells, encumbers, or otherwise uses money, or any other assets, connected with a crime in which that person has not participated, with the possible result that the original or substituted assets may appear to be of a legitimate origin, provided the value of the assets exceeds Ps. 50,000, whether such amount results from one or more transactions.

In addition, the Law of Money Laundering created the Financial Information Unit, which is charged with the handling and the transmission of information in order to prevent the laundering of assets originating from:

- Crimes related to illegal trafficking and commercialization of narcotics (Law No. 23,737);
- Crimes related to arms trafficking (Law No. 22,415);

- Crimes related to the activities of an illegal association as defined in Article 210 bis of the Penal Code;
- Illegal acts committed by illegal associations (Article 210 of the Penal Code) organized to commit crimes for with political or racial objectives;
- Crimes of fraud against the Public Administration (Article 174, Section 5 of the Penal Code);
- Crime against the Public Administration under Chapters VI, VII, IX and IX bis of Title XI of Book Two of the Penal Code;
- Crimes of underage prostitution and child pornography under Articles 125, 125 bis, 127 bis and 128 of the Penal Code.
- Crimes related to terrorism financing (Article 213, quater of the Penal Code).

Argentina's Law of Money Laundering, like other international money laundering laws, does not designate sole responsibility to the Argentine government for the monitoring of these criminal activities, but rather also delegates certain obligations to various private sector entities such as banks, stockbrokers, stock market entities, and insurance companies. These obligations essentially consist of information gathering functions, such as:

- obtaining from clients documents that indisputably prove the identity, legal status, domicile and other information, to accomplish any type of activity intended;
- reporting any suspicious activity or operation;
- keeping any monitoring activities in connection with a proceeding pursuant to the Money Laundering Law confidential from both clients and third parties.

In addition, Central Bank regulations require that Argentine banks undertake certain minimum procedures to prevent money laundering. CNV regulations also require that the issuers and traders of publicly traded securities in Argentina and those persons participating in financial trusts and common investment funds subject to the CNV's control comply with certain obligations and requirements relating to money laundering prevention and to the suppression of the financing of terrorism.

## CAPITALIZATION

The following table sets forth our short-term and long-term debt, shareholders' equity and total capitalization at June 30, 2010 on an actual basis and as adjusted to reflect the sale of the notes in this offering and the application of the estimated gross proceeds therefrom in connection with the Concurrent Invitation. You should read this table in conjunction with the information under "Selected Financial and Operating Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our unaudited interim financial statements and the related notes included elsewhere in this offering memorandum.

	As of June 30, 2010							
	Actual			As Adjusted <sup>(1)</sup>				
			(in millions) <sup>(2)</sup>					
Cash and cash equivalents .....	Ps.	297.9	U.S.\$	75.8	Ps.	678.1	U.S.\$	172.5
Short-term indebtedness <sup>(3)</sup> .....		69.0		17.6		69.0		17.6
Long-term indebtedness <sup>(3)</sup>								
Par Notes due 2013 .....		46.6		11.9		46.6		11.9
Fixed Rate Par Notes due 2016 .....		46.1		11.7		46.1		11.7
Senior Notes due 2017 .....		584.5		148.7		125.8		32.0
Floating Rate Par Note due 2019.....		39.5		10.0		39.5		10.0
Senior Notes due 2022 .....		-		-		882.8		224.6
Total long-term indebtedness .....		716.7		182.3		1,140.8		290.2
Total indebtedness <sup>(3)</sup> .....		785.7		199.9		1,209.8		307.8
Total shareholders' equity .....		2,180.9		554.8		2,136.9		543.6
Total capitalization <sup>(4)</sup> .....	Ps.	2,966.6	U.S.\$	754.7	Ps.	3,346.7	U.S.\$	851.4

- (1) Long-term indebtedness has been adjusted to reflect the purchase and cancellation of U.S. \$30.6 million aggregate principal amount of our Senior Notes due 2017 that were validly tendered at the Early Participation Deadline pursuant to the Concurrent Tender Offer and U.S. \$86.1 million aggregate principal amount of our Senior Notes due 2017 that were validly tendered as of the date of this Offering Memorandum pursuant to the Concurrent Exchange Offer, assuming that none of the Senior Notes due 2017 tendered in the Concurrent Exchange Offer are withdrawn before the Exchange Offer Early Participation Deadline and all such validly tendered notes are accepted for purchase or exchange by us. Cash and cash equivalents have been adjusted to reflect the estimated net cash proceeds from this offering, assuming U.S.\$1.5 million of debt issuance costs, after payment for any notes validly tendered for cash at the Early Participation Deadline pursuant to the Concurrent Invitation and assuming all such validly tendered notes are accepted for purchase by us. Additional Senior Notes due 2017 may be validly tendered, and subsequently accepted for purchase or exchange by us, pursuant to the Concurrent Invitation up to and including the Expiration Time.
- (2) U.S. Dollar amounts are based on the exchange rate at June 30, 2010 of Ps. 3.931 to U.S. \$1.00.
- (3) We record our debt obligations on our balance sheet at their net present value in accordance with Argentine GAAP. As a result, the amounts shown do not reflect the nominal amount owed under our debt instruments. At June 30, 2010, the aggregate nominal principal amount of our indebtedness outstanding was U.S. \$198.7 million. We do not record among our debt obligations the U.S. \$65.3 million of Senior Notes due 2017 that we currently hold and intend to cancel upon the successful completion of the Concurrent Invitation. All of our indebtedness is unsecured. None of our indebtedness is guaranteed.
- (4) Total capitalization represents total indebtedness plus total shareholders' equity.

## SELECTED FINANCIAL DATA

The following table presents selected financial and operating data. You should read this information in conjunction with our audited and unaudited financial statements and related notes, and the information included in “Management’s Discussions and Analysis of Financial Condition and Results of Operation” included elsewhere in this offering memorandum. All financial data as of June 30, 2010 and for the six-month period ended June 30, 2010 and 2009 included in this offering memorandum is unaudited. Results for the six-month period ended June 30, 2010 are not necessarily indicative of results to be expected for the full year 2010 or any other period.

The financial data as of and for the years ended December 31, 2009 and 2008 are derived from our audited financial statements included elsewhere in this offering memorandum, which were audited by Price Waterhouse & Co. S.R.L., member firm of PricewaterhouseCoopers, independent accountants. The financial data as of and for the year ended December 31, 2007, is derived from our audited financial statements included elsewhere in this offering memorandum, which were audited by Deloitte & Co. S.R.L., member firm of Deloitte & Touche Tohmatsu, Independent Registered Public Accounting Firm. We engaged Price Waterhouse & Co. S.R.L as our new auditors in April 2008, in order to consolidate our audit with that of our controlling shareholder, Pampa Energia S.A., also audited by Price Waterhouse & Co. S.R.L. The financial data as of June 30, 2010 and for the six-month periods ended June 30, 2010 and 2009 are derived from our unaudited interim financial statements included elsewhere in this offering memorandum. Our financial statements have been prepared in accordance with generally accepted accounting principles in the City of Buenos Aires, which we refer to as Argentine GAAP and which differ in certain significant respects from U.S.GAAP. For a summary of the significant differences between Argentine GAAP and U.S. GAAP, see “Annex A—Summary of Principal Differences between Argentine GAAP and U.S. GAAP.”

In this offering memorandum, except as otherwise specified, references to “\$”, “U.S. \$” and “Dollars” are to U.S. Dollars, and references to “Ps. ” and “Pesos” are to Argentine Pesos. Solely for the convenience of the reader, Peso amounts as of and for the year ended December 31, 2009 have been translated into U.S. Dollars at the buying rate for U.S. Dollars quoted by Banco de la Nación Argentina (*Banco Nación*) on December 31, 2009 of Ps. 3.80 to U.S. \$1.00, and Peso amounts as of and for the six-month period ended June 30, 2010 have been translated into U.S. Dollars at the buying rate for U.S. Dollars quoted by *Banco Nación* on June 30, 2010 of Ps. 3.931 to U.S. \$1.00. The U.S. Dollar equivalent information should not be construed to imply that the Peso amounts represent, or could have been or could be converted into, U.S. Dollars at such rates or any other rate. See “Exchange Rates.”

Under Argentine GAAP, we generally are not required to record the effects of inflation in our financial statements. However, because Argentina experienced a high rate of inflation in 2002, with the wholesale price index increasing by approximately 118%, we were required by Decree No. 1269/2002 and CNV Resolution No. 415/2002 to restate our financial statements in constant Pesos in accordance with Argentine GAAP. On March 25, 2003, Decree No. 664/2003 rescinded the requirement that financial statements be prepared in constant currency, effective for financial periods on or after March 1, 2003. As a result, we are not required to restate and have not restated our financial statements for inflation after February 28, 2003. See note 2 to our audited and unaudited financial statements included in this offering memorandum.

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

	Six-month period ended June 30,			Year ended December 31,				
	2010		2009	2009		2008		2007
<b>Statement of operations data</b>	(in millions)							
<b>Argentine GAAP</b>								
Net sales <sup>(1)</sup> .....	U.S.\$ 277.5	Ps. 1,090.9	Ps. 1,060.2	U.S.\$ 546.8	Ps. 2,077.9	Ps. 2,000.2	Ps. 1,981.9	
Electric power purchases .....	(133.9)	(526.2)	(519.3)	(264.0)	(1,003.4)	(934.7)	(889.9)	
Gross margin .....	143.6	564.7	540.9	282.8	1,074.5	1,065.5	1,092.0	
Transmission and distribution expenses ..	(76.6)	(301.3)	(264.7)	(144.4)	(548.6)	(497.9)	(417.6)	
Selling expenses.....	(23.0)	(90.3)	(76.8)	(41.8)	(159.0)	(126.0)	(120.6)	
Administrative expenses .....	(20.6)	(80.8)	(64.2)	(46.5)	(176.6)	(138.7)	(124.7)	
Subtotal.....	23.5	92.3	135.2	50.1	190.4	302.9	429.2	
Other income (expenses), net.....	(2.1)	(8.2)	34.4	6.1	23.3	(29.8)	1.0	
Financial (expenses) income and holding gains (losses): .....								
Generated by assets:.....								
Exchange difference .....	1.5	5.9	9.9	5.6	21.4	8.1	(0.9)	

Interest.....	3.2	12.6	6.9	4.3	16.2	9.8	13.4
Holding results.....	(1.3)	(5.1)	40.2	9.9	37.6	(7.3)	0.1
Taxes on financial transactions <sup>(2)</sup> .....	(1.7)	(6.8)	(6.8)	—	—	—	—
Generated by liabilities:.....							
Financial expenses.....	(2.0)	(7.9)	(6.2)	(3.1)	(11.7)	(10.0)	(21.0)
Exchange difference.....	(6.2)	(24.5)	(85.4)	(26.1)	(99.1)	(92.7)	(29.9)
Interest.....	(10.2)	(40.0)	(44.9)	(23.1)	(87.7)	(95.3)	(74.5)
Taxes on financial transactions <sup>(2)</sup> .....	(2.5)	(10.0)	(10.1)	—	—	—	—
Adjustment to present value of the retroactive tariff increase arising from the application of the new electricity rate schedule and other receivables <sup>(3)</sup> .....	2.4	9.4	(10.7)	0.9	3.4	13.5	(29.6)
Adjustment to present value of notes <sup>(4)</sup> .....	(0.4)	(1.5)	(4.8)	(1.4)	(5.2)	(8.5)	(21.5)
Gain (loss) from the purchase of notes <sup>(5)</sup> .....	—	—	77.0	21.4	81.5	93.5	(10.2)
Adjustment to present value of purchased notes <sup>(4)</sup> .....	—	—	—	—	—	—	(8.6)
Income before taxes.....	4.1	16.1	134.7	44.7	169.9	184.3	247.4
Income tax.....	(4.4)	(17.4)	(57.8)	(20.9)	(79.3)	(61.2)	(125.0)
Net (loss) income for the period/year.....	U.S.\$ (0.3)	Ps. (1.3)	Ps. 77.0	U.S.\$ 23.8	Ps. 90.6	Ps. 123.1	Ps. 122.5
Ratio of earnings to fixed charges.....	1.11	1.11	3.07	2.27	2.27	2.20	3.68

- (1) Net sales for 2007 include the retroactive portion of the February 2007 tariff increase, which amounts in aggregate to Ps. 218.6 million, and is being invoiced in 55 equal and consecutive monthly installments, starting in February 2007. As of June 30, 2010 we had invoiced Ps. 173.4 million of this amount.
- (2) For the years ended December 31, 2007, 2008 and 2009, taxes on financial transactions were included in administrative expenses.
- (3) Reflects the adjustment to present value of the retroactive portion of the tariff increase that is being invoiced in 55 consecutive monthly installments, starting in February 2007, and the adjustment to present value of Ps. 38.4 million due under the payment plan agreement with the Province of Buenos Aires that is being invoiced in 18 installments, starting in January 2007. As of December 31, 2009 and 2008, Ps. 2.3 million was due under the payment plan agreement with the Province of Buenos Aires, and Ps. 69.2 million and Ps. 118.9 million of the retroactive tariff increase had not been invoiced in 2009 and 2008, respectively. As of June 30, 2010, Ps. 45.2 million of the retroactive tariff increase had not been invoiced. In accordance with Argentine GAAP, we account for these long term receivables at their net present value, which we calculate at a discount rate of 10.5% for the retroactive tariff increase, recording the resulting non-cash charge as an adjustment to present value of this receivable. See "Management's Discussion and Analysis of Financial Condition and Results of Operations —Factors affecting our results of operations - Framework agreement (Shantytowns)."
- (4) We record our financial debt in our balance sheet at fair value reflecting our management's best estimate of the amounts expected to be paid at each year end, calculated at a discount rate of 10.5% for the years ended December 31, 2009, 2008 and 2007 and for the six-month periods ended June 30, 2010 and 2009.
- (5) In 2007, we repurchased U.S. \$43.7 million principal amount of our outstanding Fixed Rate Par Notes due 2016 and redeemed and repurchased U.S. \$240.0 million principal amount of our outstanding Discount Notes due 2014. In addition, in the years ended December 31, 2008 and 2009, we repurchased U.S. \$32.5 million and U.S. \$32.2 million principal amount of our outstanding Fixed Rate Par Notes due 2016, respectively, and U.S. \$17.5 million and U.S. \$53.8 million principal amount of our outstanding Senior Notes due 2017, respectively. In July 2010, we repurchased and canceled U.S. \$7.3 million of our outstanding Fixed Rate Par Notes due 2016.

	As of June 30,		As of December 31,			
	2010		2009		2008	2007
	(in millions)					
<b>Balance sheet data</b>						
<b>Argentine GAAP</b>						
Current Assets:						
Cash and banks.....	U.S.\$ 2.0	Ps. 7.8	U.S.\$ 2.3	Ps. 8.7	Ps. 6.1	Ps. 3.5
Investments.....	73.8	290.1	57.8	219.7	121.0	97.7
Trade receivables.....	104.5	410.9	102.4	389.2	400.5	346.0
Other receivables.....	8.8	34.6	16.1	61.1	42.8	26.0
Supplies.....	4.4	17.4	3.9	14.8	16.7	23.2
Total current assets.....	U.S.\$ 193.5	Ps. 760.8	U.S.\$ 182.5	Ps. 693.6	Ps. 587.1	s. 496.3
Non-Current Assets:						
Trade receivables.....	13.4	52.6	22.9	87.0	111.4	100.3
Other receivables.....	25.2	98.9	23.4	88.8	99.5	144.1
Investments in other companies.....	0.1	0.4	0.1	0.4	0.4	0.4
Investments.....	—	—	—	—	67.2	—
Supplies.....	4.9	19.3	4.9	18.6	12.8	13.8
Property, plant and equipment.....	912.2	3,585.9	916.4	3,482.4	3,256.3	3,092.7
Total non-current assets.....	U.S.\$ 955.8	Ps. 3,757.1	U.S.\$ 967.7	Ps. 3,677.2	Ps. 3,547.6	s. 3,351.3
Total assets.....	U.S.\$ 1,149.3	Ps. 4,517.9	U.S.\$1,150.2	Ps. 4,370.7	Ps. 4,134.6	Ps. 3,847.6
Current liabilities:						
Trade account payable.....	92.5	363.6	91.5	347.8	339.3	316.2
Loans.....	17.6	69.0	21.8	83.0	27.3	29.3
Salaries and social security taxes.....	26.8	105.5	31.2	118.4	94.8	59.9
Taxes.....	33.2	130.3	36.9	140.3	111.0	84.6
Other liabilities.....	1.3	5.2	2.1	8.0	10.5	9.7

Accrued litigation .....	15.3	60.2	16.5	62.8	52.8	39.9
Total current liabilities .....	<u>U.S.\$ 186.7</u>	<u>Ps. 733.8</u>	<u>U.S.\$ 200.1</u>	<u>Ps. 760.3</u>	<u>Ps. 635.6</u>	<u>Ps. 539.6</u>
Non-current liabilities:						
Trade account payable .....	12.4	48.6	12.3	46.9	40.2	35.5
Loans .....	182.3	716.7	186.2	707.5	913.1	949.1
Salaries and social security taxes .....	12.1	47.6	11.5	43.7	40.1	24.7
Taxes .....	2.2	8.8	2.5	9.4	—	—
Other liabilities <sup>(1)</sup> .....	196.2	771.4	160.7	610.8	369.0	281.4
Accrued Litigation .....	2.6	10.1	2.6	10.1	45.1	42.8
Total non-current liabilities .....	<u>407.8</u>	<u>1,603.1</u>	<u>375.9</u>	<u>1,428.3</u>	<u>1,407.5</u>	<u>1,333.5</u>
Total liabilities .....	<u>U.S.\$ 594.5</u>	<u>Ps. 2,337.0</u>	<u>U.S.\$ 575.9</u>	<u>Ps. 2,188.5</u>	<u>Ps. 2,043.1</u>	<u>Ps. 1,873.0</u>
Shareholders' equity .....	554.8	2,180.9	574.3	2,182.2	2,091.6	1,974.6
Total liabilities and shareholders' equity .....	<u>U.S.\$ 1,149.3</u>	<u>Ps. 4,517.9</u>	<u>U.S.\$1,150.2</u>	<u>Ps. 4,370.7</u>	<u>Ps. 4,134.6</u>	<u>Ps. 3,847.6</u>

- (1) Includes the amounts collected through the PUREE, which as of December 31, 2009 and 2008 amounted to Ps. 233.3 million and Ps. 33.5 million, respectively. As of June 30, 2010, the amount retained from the PUREE amounted to Ps. 369.1 million. The Company is permitted to retain funds from the PUREE that it would otherwise be required to transfer to CAMMESA in order to reimburse the Company for the amounts it is owed under CMM increases not yet reflected in the distribution margin.



	Six-month period ended June 30,				Year ended December 31,									
	2010		2009		2009		2008	2007						
	(in millions)													
<b>Cash flow data</b>														
<b>Argentine GAAP</b>														
Operating activities:														
Net (loss) income for the period/year .....	U.S.\$	(0.3)	Ps.	(1.3)	Ps.	77.0	U.S.\$	23.8	Ps.	90.6	Ps.	123.1	Ps.	122.5
Adjustment to reconcile net (loss) income to net cash flows provided by (used in) operating activities:														
Depreciation of property, plant and equipment .....		22.6		89.0		87.2		46.2		175.4		170.3		174.4
Retirement of property, plant and equipment .....		0.2		0.6		0.2		0.7		2.8		1.9		1.1
Gain from investments in related company SACME SA .....		—		—		(0.1)		—		—		—		(0.1)
(Gain) Loss from investments .....		(2.4)		(9.2)		(49.2)		6.9		26.4		(4.3)		(8.5)
Adjustment to present value of notes .....		0.4		1.5		4.8		1.4		5.2		8.5		21.5
(Gain) Loss from the purchase and redemption of notes .....		—		—		(77.0)		(21.4)		(81.5)		(93.5)		10.2
Adjustment to present value of the repurchased and redeemed notes .....		—		—		—		—		—		—		8.6
Exchange differences, interest and penalties on loans .....		14.5		57.2		122.4		47.0		178.6		232.7		69.5
Increase in trade receivables due to the unbilled portion of the retroactive tariff increase .....		—		—		—		—		—		—		(171.3)
Recovery of the accrual for tax contingencies .....		—		—		(35.6)		(9.4)		(35.6)		—		—
Income tax .....		4.4		17.4		57.8		20.9		79.3		61.2		125.0
Allowance for doubtful accounts .....		2.0		7.8		10.7		3.6		13.5		17.1		—
Reversal of the allowance for doubtful accounts .....		—		—		(27.0)		(7.1)		(27.0)		(24.0)		—
Allowance for other doubtful accounts .....		0.7		2.9		2.9		0.9		3.3		1.7		—
Adjustment to net present value of the retroactive tariff increase arising from the application of the new electricity rate schedule and of the Payment Plan Agreement with the Province of Buenos Aires .....		(2.4)		(9.4)		10.7		(0.9)		(3.4)		(13.5)		29.6
Changes in operating assets and liabilities:														
Net Decrease (Increase) in trade receivables .....		3.1		12.1		14.8		12.7		48.1		(49.5)		(36.9)
Net Decrease (Increase) in other receivables .....		5.8		22.7		(25.7)		1.4		5.3		(33.4)		(8.4)
(Increase) Decrease in supplies .....		(0.8)		(3.2)		(1.5)		(1.0)		(3.9)		7.4		(18.4)
Increase in trade accounts payable .....		4.5		17.6		15.1		4.0		15.2		27.8		52.7
(Decrease) Increase in salaries and social security taxes .....		(2.3)		(9.0)		(1.4)		7.2		27.2		50.3		12.9
(Decrease) Increase in taxes .....		(9.5)		(37.2)		(0.9)		(15.0)		(56.9)		26.4		22.5
Increase in other liabilities .....		5.6		22.1		6.0		62.9		239.1		78.1		17.7
Increase in funds obtained from the Program for the Rational Use of Electric Power (PUREE) <sup>(1)</sup> .....		34.5		135.7		101.8		—		—		—		—
Net (Decrease) Increase in accrued litigation .....		(0.7)		(2.6)		3.5		2.8		10.6		15.1		16.2
Financial interest paid, net of interest capitalized .....		(7.9)		(31.0)		(35.9)		(20.2)		(76.8)		(62.7)		(25.5)
Financial and commercial interest collected .....		2.9		11.5		13.1		8.5		32.2		6.9		11.6
Net cash flow provided by operating activities .....		75.1		295.1		274.0		175.8		668.0		547.5		427.2
Investing activities:														
Additions of property, plant and equipment .....		(49.1)		(193.1)		(186.4)		(106.4)		(404.2)		(325.4)		(336.9)
Net cash flow used in investing activities .....		(49.1)		(193.1)		(186.4)		(106.4)		(404.2)		(325.4)		(336.9)
Financing activities:														
Decrease (Increase) in current and non-current investments .....		—		—		7.8		3.6		13.6		(67.9)		—
Net (Decrease) Increase in loans .....		(8.3)		(32.5)		10.9		(46.2)		(175.4)		(122.9)		(203.6)
Capital increase .....		—		—		—		—		—		—		181.8
Treasury Shares .....		—		—		—		—		—		(6.1)		—
Net cash flows used in financing activities .....		(8.3)		(32.5)		18.6		(42.6)		(161.8)		(196.9)		(21.8)
Cash variations:														
Cash and cash equivalents at beginning of the period/year .....	U.S.	\$58.1	Ps.	228.4	Ps.	126.4	U.S.	\$33.3	Ps.	126.4	Ps.	101.2	Ps.	32.7
Cash and cash equivalents at end of the period/year .....		75.8		297.9		232.6		60.1		228.4		126.4		101.2
Net increase in cash and cash equivalents .....		17.7		69.5		106.2		26.8		102.0		25.2		68.5

(1) For the years ended December 31, 2007, 2008 and 2009, these were included under "Increase in other liabilities".

## Operating Data

	Six-month period ended June 30,		Year ended December 31,		
	2010	2009	2009	2008	2007
Energy sales (in GWh):					
Residential.....	3,756	3,620	7,344	7,545	7,148
Small Commercial.....	775	745	1,470	1,530	1,485
Medium Commercial .....	807	784	1,565	1,597	1,552
Industrial .....	1,653	1,571	3,204	3,277	3,628
Wheeling system <sup>(1)</sup> .....	1,916	1,756	3,622	3,700	3,111
Others:					
Public Lighting .....	327	325	644	644	643
Shantytowns.....	174	158	351	304	301
Others <sup>(2)</sup> .....	10	10	20	19	19
Customers (in thousands) <sup>(3)</sup> .....	2,632	2,572	2,605	2,537	2,490
Energy losses .....	12.4%	11.6%	11.9%	10.8%	11.6%
MWh sold by employee.....	6,912.9	6,955.8	6,936.1	7,392.8	7,230.6
Customers per employee.....	959	989	978	997	998

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

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

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

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion should be read in conjunction with, and is qualified in its entirety by reference to, our audited financial statements as of December 31, 2009, 2008 and 2007 and for the years ended December 31, 2009, 2008 and 2007 and our unaudited interim financial statements as of June 30, 2010 and for the six-month periods ended June 30, 2010 and 2009. Our audited and unaudited financial statements have been prepared in accordance with Argentine GAAP, which differ in certain significant respects from U.S. GAAP. See "Annex A—Summary of Principal Differences between Argentine GAAP and U.S. GAAP."*

### **Overview**

We distribute electricity on an exclusive basis to the northwestern zone of the greater Buenos Aires metropolitan area and the northern portion of the City of Buenos Aires, comprising an area of 4,637 square kilometers, with a population of approximately seven million people. Pursuant to our concession, we have the exclusive right to distribute electricity to all users within our concession area, including to wholesale electricity market participants. At June 30, 2010, we had 2,631,612 customers.

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

### **Factors affecting our results of operations**

Our net sales consist mainly of net energy sales to users in our service area. Our net energy sales reflect the tariffs we charge our customers (which include our energy purchase costs) and reflect deductions for fines and penalties we incur during the year. Any adjustments, however, to our accrual for fines and penalties resulting from increases in our distribution margins are recorded under financial income (expenses) and holding gains (losses). See "Business – Our concession—Fines and penalties." In addition, our net sales include late payment charges we bill our customers for delays in payment of their bills, connection and reconnection charges and leases of poles and other network equipment.

We deducted approximately Ps. 25.8 million in fines and penalties from our revenues for the six-month period ended June 30, 2010, Ps. 58.5 million in the year ended December 31, 2009, Ps. 34.8 million in 2008 and Ps. 23.9 million in 2007. See "Business—Our concession—Fines and penalties." The Company incurred significantly higher levels of fines and penalties in 2009 and the first half of 2010 due to an increase in the underlying cost of energy factors upon which the fines and penalties are calculated.

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

	Six-month period ended June 30,		Year ended December 31,		
	2010	2009	2009	2008 <sup>(2)</sup>	2007 <sup>(1)</sup>
	(in millions of Pesos)				
Energy sales.....	Ps. 1,093.7	Ps. 1,062.0	Ps. 2,094.3	Ps. 2,000.8	Ps. 1,972.7
Fines and penalties.....	(25.8)	(22.0)	(58.5)	(34.8)	(23.9)
Net energy sales.....	1,067.9	1,040.0	2,035.8	1,966.0	1,948.7
Late payment charges.....	11.4	10.2	20.7	17.8	17.1
Connection charges.....	2.9	2.6	5.7	3.7	4.0
Reconnection charges.....	1.1	1.0	2.0	2.2	1.4
Pole leases.....	7.6	6.4	13.6	10.5	10.7
<b>Net sales.....</b>	<b>Ps. 1,090.9</b>	<b>Ps. 1,060.2</b>	<b>Ps. 2,077.9</b>	<b>Ps. 2,000.2</b>	<b>Ps. 1,981.9</b>

- (1) Energy sales for 2007 include the retroactive portion of the February 2007 VAD increase, which amounts in aggregate to Ps. 218.6 million and is being invoiced in 55 consecutive monthly installments. We began invoicing these installments in February 2007 and, as of June 30, 2010, we had invoiced Ps. 173.4 million of this amount, and the CMM adjustment for the period May 2006 to April 2007, applicable as of May 1, 2007 and collected through PUREE funds in 2007, which totaled Ps. 49.6 million.
- (2) Includes CMM adjustment collected through PUREE funds in 2008, which totaled Ps. 84.6 million.

The following tables show our energy sales by category of customer (in GWh and in Pesos) for the periods indicated:

	Six-month period ended June 30,				Year ended December 31,					
	2010		2009		2009		2008		2007	
	(in GWh)									
Residential.....	3,765	40%	3,620	40%	7,344	40%	7,545	41%	7,148	40%
Small commercial.....	775	8%	745	8%	1,470	8%	1,530	8%	1,485	8%
Medium commercial.....	807	9%	784	9%	1,565	8%	1,597	9%	1,552	9%
Industrial.....	1,653	18%	1,571	17%	3,204	18%	3,277	18%	3,628	20%
Wheeling system <sup>(1)</sup> .....	1,916	20%	1,756	20%	3,622	20%	3,700	20%	3,111	17%
Others:										
Public lighting.....	327	3%	325	4%	644	4%	644	3%	643	4%
Shantytowns.....	174	2%	158	2%	351	2%	304	2%	301	2%
Others <sup>(2)</sup> .....	10	—	10	—	20	—	19	—	19	—
<b>Total.....</b>	<b>9,427</b>	<b>100%</b>	<b>8,969</b>	<b>100%</b>	<b>18,220</b>	<b>100%</b>	<b>18,616</b>	<b>100%</b>	<b>17,886</b>	<b>100%</b>

- (1) Wheeling charges represent our tariffs for large users, which consist of a fixed charge for recognized technical losses and a charge for our distribution margins but exclude charges for electric power purchases, which are undertaken directly between generators and large users.
- (2) Represents energy consumed internally by our company and our facilities.

	Six-month period ended June 30,				Year ended December 31,					
	2010		2009		2009		2008 <sup>(2)</sup>		2007 <sup>(1)</sup>	
	(in millions of Pesos)									
Residential.....	Ps.344.4	32%	Ps. 349.6	33%	Ps. 679.6	32%	Ps. 575.8	30%	Ps.488.7	29%
Small commercial.....	168.2	15%	162.3	15%	322.3	15%	307.7	16%	276.5	16%
Medium commercial.....	173.0	16%	169.3	16%	335.4	16%	317.4	17%	288.1	17%
Industrial.....	300.0	27%	280.8	26%	569.2	27%	498.2	26%	481.9	28%
Wheeling system <sup>(3)</sup> .....	71.5	6%	66.9	6%	139.2	7%	113.6	6%	84.9	5%
Others:										
Public lighting.....	28.3	3%	27.6	23%	55.3	3%	55.9	3%	55.2	3%
Shantytowns and others <sup>(4)</sup> .....	8.5	1%	5.4	1%	(6.7)	0%	47.6	2%	29.1	2%
<b>Total.....</b>	<b>Ps.1,093.7</b>	<b>100%</b>	<b>Ps.1,062.0</b>	<b>100%</b>	<b>Ps.2,094.3</b>	<b>100%</b>	<b>Ps.1,916.2</b>	<b>100%</b>	<b>Ps.1,704.4</b>	<b>100%</b>

- (1) Does not include the retroactive portion (Ps. 218.6 million) of our February 2007 VAD increase, of which we have invoiced Ps. 173.4 million as of June 30, 2010, and the CMM adjustment for the period May 2006 – April 2007, applicable as of May 1, 2007 and collected through PUREE funds in 2007, for a total amount of Ps. 49.6 million.
- (2) Does not include CMM adjustment collected through PUREE funds in 2008, which amount to Ps. 84.6 million.
- (3) Wheeling charges represent our tariffs for large users, which consist of a fixed charge for recognized energy losses and a charge for our distribution margins but exclude charges for electric power purchases, which are undertaken directly between generators and large users.
- (4) In 2009 Shantytowns sales totaled Ps. 28.4 million, which was more than offset by an adjustment due to the reversal of the rate chart that determines the prices we charge our customers for electrical power purchases in June and July 2009. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Our Results of Operations—Recognition of Cost of Electric Power Purchases.”

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

### ***Argentine Economic Conditions and Inflation***

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

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

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

	As of June 30,	Year ended December 31,				
	2010	2009	2008	2007	2006	2005
Real GDP (% change) .....	N/A	0.9	6.8	8.7	8.5	9.2
Nominal GDP (in millions of Pesos) .....	N/A	1,145,458	1,032,758	812,456	654,439	531,939
Real Consumption (% change).....	N/A	1.5	6.6	8.8	7.4	8.5
Real Investment (% change) .....	N/A	-10.2	9.1	13.6	18.2	22.7
Industrial Production (% change).....	9.5	0.4	5.0	7.5	8.4	8.0
Consumer Price Index .....	5.9*	7.7	7.2	8.5	9.8	12.3
Nominal Exchange Rate (in Ps. /U.S.\$ at year end) .....	3.95	3.82	3.47	3.16	3.08	2.94
Exports (in millions of U.S.\$) .....	32,293	55,751	70,021	55,780	46,456	40,352
Imports (in millions of U.S.\$) .....	24,802	38,771	57,422	44,707	34,151	28,689
Trade Balance (in millions of U.S.\$) .....	7,491	16,980	12,599	11,073	12,305	11,663
Current Account (% of GDP).....	N/A	3.7	2.2	2.9	3.7	3.0
Reserves (in millions of U.S.\$) .....	48,164	46,355	47,779	40,383	25,063	23,401
Tax Collection (in millions of Pesos) .....	191,681	304,930	269,375	199,940	150,120	119,339
Primary Surplus (in millions of Pesos) .....	11,088	17,286	32,529	25,719	23,165	19,661
Public Debt (% of GDP at December 31) ** .....	N/A	46.4	47.3	56.4	64.7	72.5
Public Debt Service (% of GDP).....	N/A	5.4	4.9	5.8	5.1	5.4
External Debt (% of GDP at December 31) .....	38.1	40.6	40.3	48.5	51.5	64.1

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

\* Refers to Consumer Price Index from December 2009 through June 2010.

\*\* Does not include hold outs

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

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

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

### ***2001 economic crisis***

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

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

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

Following the adoption of the Public Emergency Law, the Argentine government implemented measures, whether by executive decree, Central Bank regulation or federal legislation, attempting to address the effects of the

collapse of the Convertibility regime, recover access to financial markets, reduce government spending, restore liquidity to the financial system, reduce unemployment and generally stimulate the economy. Pursuant to the Public Emergency Law, the Argentine government, among other measures:

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

These measures, combined with the devaluation of the Peso and high rates of inflation, had a severe effect on public utilities in Argentina (including our company). Because public utilities were no longer able to increase tariffs at a rate consistent with the increased costs they were incurring, increases in the rate of inflation led to decreases in their revenues in real terms and a deterioration of their operating performance and financial condition. Most public utilities had also incurred large amounts of foreign currency indebtedness to finance the capital improvement and expenditure programs. At the time of these privatizations, the capital structures of each privatized company were determined taking into account the Convertibility regime and included material levels of U.S. Dollar-denominated debt. Following the elimination of the Convertibility regime and the resulting devaluation of the Peso, the debt service burden of these utilities significantly increased, which when combined with the margin freeze and conversion of tariffs from U.S. Dollars to Pesos, led many of these utilities (including our company) to suspend payments on their foreign currency debt in 2002.

### ***Economic recovery and outlook***

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

In April 2003, Dr. Néstor Kirchner, the former governor of the province of Santa Cruz, was elected as president for a four-year term, and he took office in May 2003. During 2003, Argentina moved towards normalizing its relationship with the IMF, withdrew all the national and provincial governments' quasi-money securities from circulation and eliminated all deposit restrictions. The trade balance experienced a sustained surplus, aided by the rise in commodity prices and export volumes. At the same time, social indicators improved, with the unemployment rate decreasing to 17.3%, and real wages began to recover according to INDEC. In June 2005, the Argentine government completed a restructuring of Argentina's public external debt, which had been in default since December 2001. Argentina reduced its outstanding principal amount of public debt from U.S. \$191.3 billion to U.S. \$129.2 billion and extended payment terms. The debt on securities that were eligible for, but did not participate in, the 2005 restructuring totaled U.S. \$29.8 billion as of December 31, 2009. The Argentine government recently launched a new exchange offer for the outstanding sovereign bonds that did not participate in the 2005 restructuring. On January 3, 2006, Argentina completed an early repayment of all of its outstanding indebtedness with the IMF, for an amount totaling approximately U.S. \$10.0 billion owing under credit lines.

From 2003 to 2007, the economy continued recovering from the 2001 economic crisis. The economy grew by 8.8% in 2003, 9.0% in 2004, 9.2% in 2005, 8.5% in 2006 and 8.7% in 2007, led by domestic demand and exports. From a demand perspective, private sector spending was accompanied by a combination of liberal monetary and conservative fiscal policies. Growth in spending, however, consistently exceeded the rate of increase

in revenue and nominal GDP growth. From a supply perspective, the trade sector benefited from a depressed real exchange rate, which was supported by the intervention of the Central Bank in the foreign exchange market. Real exports improved, in part due to growth in Brazil, and the current account improved significantly, registering surpluses in 2004, 2005, 2006 and 2007.

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

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

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

At the end of 2008, the Argentine government enacted a series of measures aimed at counteracting the decline in the level of economic activity, including special tax rates and less stringent foreign exchange restrictions in connection with the repatriation and national investment of capital previously deposited abroad by Argentine nationals, extensions in the payment terms for overdue taxes and social security taxes, reductions in payroll tax rates for companies that increase their headcounts, creation of the Ministry of Production (*Ministerio de Producción*), announcements regarding the construction of new public works, consumer loans for the acquisition of durable goods and loans to finance exports and working capital for industrial companies, as well as various agricultural and livestock programs, all aimed at minimizing lay-offs during the current global financial crisis. The effectiveness of these measures will depend on the government's ability to fund them without reducing the amount of funding for other budgeted activities as well as the degree of confidence they create in the overall stability of the Argentine economy.

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

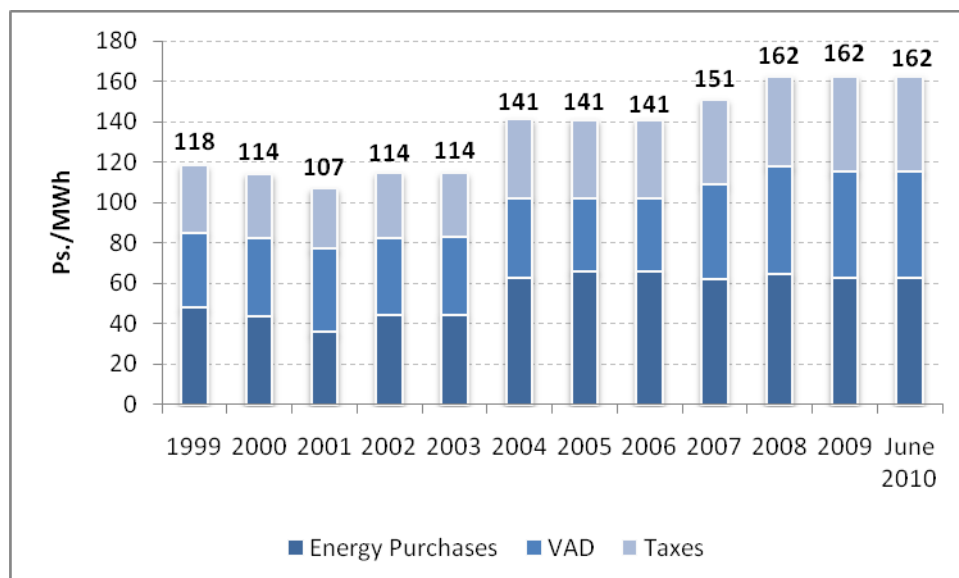
Since the second half of last year, Argentina's economy shows a recovery that has accelerated so far in 2010. Economic activity grew at an annualized average monthly rate of 10.3% in the first five months of the year. This recovery has been driven primarily by a record harvest (especially soybeans), a set of expansive economic policy (fiscal, monetary and income) and a favorable international context. One unfavorable effect of this recovery has been the acceleration of inflation, which we believe is among the highest in the region according to estimates by private economists.

### ***Tariffs***

Our revenues and margins are substantially dependent on the composition of our tariffs and on the tariff setting and adjustment process contemplated by our concession. Our management is currently focused on the renegotiation of our tariff structure, which, if successful, would have a significant impact on our results of operations.



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



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

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

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

#### ***Recognition of cost of electric power purchases***

As part of our tariffs, we bill our customers for the costs of our electric power purchases, which include energy and capacity charges. In general, we purchase electric power at a seasonal price, which is approved by the ENRE every six months and reviewed quarterly. Our electric power purchase price reflects transportation costs and certain other regulatory charges (such as the charges imposed by the National Electricity Energy Fund (*Fondo Nacional de Energía Eléctrica*)).

According to the current regulatory framework, the ENRE is required to adjust the seasonal price charged to distributors in the wholesale electricity market every six months. However, between January 2005 and November 2008, the ENRE failed to make these adjustments. In November 2008, the ENRE issued Resolution No. 628/08, which established the new tariffs applied by Edenor as of October 1, 2008 (see “Distribution margin or VAD —

Adjustment Agreement”) and modified seasonal prices charged to distributors, including the consumption levels that make up the pricing ladder. The new pricing ladder sets prices according to the following levels of consumption: bimonthly consumption up to 1,000 kWh; bimonthly consumption greater than 1,000 kWh and less than or equal to 1,400 kWh; bimonthly consumption greater than 1,400 kWh and less than or equal to 2,800 kWh; and bimonthly consumption greater than 2,800 kWh. In addition, the ENRE authorized us to pass through some regulatory charges associated with the electric power purchases to our customers, excluding residential customers with bi-monthly consumption levels below 1,000 kWh. In 2008, we collected Ps. 84.6 million through PUREE funds.

On August 14, 2009, ENRE adopted Resolution No. 433/2009 approving two tariff charts to be applied by Edenor. The first one applied retroactively for the period from June 1, 2009 to July 31, 2009. The second rate chart was effective for the period from August 1, 2009 to September 30, 2009. These charts were based on the new subsidized seasonal prices set forth in Resolution No. 652/09 issued by the Secretary of Energy. The new price charts aimed at reducing the impact of increased winter electrical energy consumption on the invoicing of residential customers with bi-monthly consumption exceeding 1,000 kWh. The modification to the ENRE rate charts did not have any effect on our VAD. The ENRE also instructed us to break down the variable charges of all invoices into the amounts subsidized and not subsidized by the Argentine government.

As of October 1, 2009, the tariff chart of October 2008 was reinstated pursuant to ENRE Resolution No. 628/2008. The floating charge of all invoices continues to be broken down into the amounts subsidized and not subsidized by the Argentine government.

Upon the ratification of the Adjustment Agreement in January 2007, we again were allowed to charge our non-residential customers for increases in regulatory charges. As part of the RTI, we also expect we will be able to bill residential customers for accrued amounts under these increases, which we were not permitted to do under the Adjustment Agreement.

We purchased a total of 17,040 GWh in 2009, 17,169 GWh in 2008 and 17,122 GWh in 2007 (excluding wheeling system demand). Until 2004, we purchased a portion of our energy needs under long-term supply contracts. Following the adoption of certain amendments to the pricing rules applicable to the wholesale electricity market pursuant to the Public Emergency Law, however, we currently purchase all of our energy supply in the wholesale electricity market at the spot price. We have not purchased any energy under long-term supply contracts since 2004 and we do not anticipate making any material purchases of energy in the term market in the near future.

### ***Recognition of cost of energy losses***

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

At the time of our privatization, our total energy losses represented approximately 30% of our energy purchases, of which more than two thirds were non-technical losses attributable to fraud and illegal use of our service. Beginning in 1992, we implemented a loss reduction plan (*plan de disciplina del mercado*, or market discipline plan) that allowed us to gradually reduce our total energy losses to 10.0% by 2000, with non-technical losses of 2.7%. However, beginning in mid-2001 and up until 2004, we experienced an increase in our non-technical losses, as the economic crisis eroded the ability of our customers to pay their bills, and in our technical losses in proportion with the increased volume of energy we supplied during those periods. Our total losses amounted to 11.6% in 2007, 10.8% in 2008 and 11.9% in 2009.

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

	Year ended December 31,		
	2009	2008	2007
Technical losses.....	9.8%	9.8%	9.6%
Non-technical losses.....	2.1%	1.0%	2.0%
Total losses.....	11.9%	10.8%	11.6%

In the first six months of 2010, we recorded total energy losses of 12.4%, compared to 11.6% in the first six months of 2009. As a consequence of the economic crisis, and the related increase in poverty levels, delinquent accounts and fraud, our energy losses, especially non-technical losses, increased. Also, the strong increase in energy demand increased our technical losses.

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

***Distribution margin or VAD***

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

*Historical Overview of VAD.* Our concession originally contemplated a fixed distribution margin for each tariff parameter with semiannual adjustments based on variations in the U.S. wholesale price index (67% of the distribution margin) and the U.S. consumer price index (the remaining 33% of the distribution margin). However, pursuant to the Public Emergency Law, all adjustment clauses in U.S. Dollars or other foreign currencies and indexation clauses based on foreign indexes or other indexation mechanisms included in contracts to be performed by the Argentine government were revoked. As a result, the adjustment provisions contained in our concession are no longer in force and, from January 2002 through January 2007, we were required to charge the same fixed distribution margin in Pesos established in 2002, without any type of currency or inflation adjustment. These measures, coupled with the effect of accumulated inflation since 2002 and the devaluation of the Peso, have had a material adverse effect on our financial condition, results of operation and cash flows, leading us to record net losses.

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

The Adjustment Agreement also contemplates a cost adjustment mechanism for the transition period during which the integral tariff review process is being conducted. This mechanism, known as the Cost Monitoring Mechanism, or CMM, requires the ENRE to review our actual distribution costs every six months (in May and November of each year). If the variation between our actual distribution costs and our recognized distribution costs (as initially contemplated in the Adjustment Agreement or, if adjusted by any subsequent CMM, the most recent distribution cost base established by a CMM) is 5% or more, the ENRE is required to adjust our distribution margin

to reflect our actual distribution cost base. The ENRE's review is based on our distribution costs during the six-month period ending two months prior to the date on which the ENRE is required to apply the cost adjustment mechanism (on May 1 and November 1) and any adjustment will become effective from such date. The CMM takes into consideration, among other factors, the wholesale and consumer price indexes, current exchange rates, the price of diesel and construction costs and salaries, all of which are weighted based on their relative importance to operating costs and capital expenditures. We may also request that the CMM be applied at any time that the variation between our actual distribution costs and our then recognized distribution costs is at least 10% or more, and any adjustment to our distribution cost base that results from this CMM will become effective retroactively from the date we present the CMM request to the ENRE. We cannot make any assurances, however, that we will receive any future increases under the CMM.

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

The ENRE also authorized us to charge our non-residential customers the retroactive portion of these tariff increases for the period from November 2005 through January 2007, which amounts in the aggregate to Ps. 218.6 million, which is being invoiced in 55 consecutive monthly installments beginning in February 2007, representing approximately Ps. 48 million each year. As of June 30, 2010, we had invoiced Ps. 173.4 million of this amount.

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

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

Furthermore, we requested an additional increase to our distribution margins under the CMM to account for fluctuations in the distribution cost base for the period from November 2007 to April 2008, in comparison to the distribution cost base recognized by the CMM in November 2007. The ENRE adopted Note No 81.399, which authorized a 5.791% increase under the CMM. As of the date of this offering memorandum, the ENRE has not approved a new tariff scheme including this tariff increase.

As of June 30, 2010, we have submitted to the ENRE four additional requests from CMM adjustments as described in the table below:

Assessment Period	Application Date	CMM Adjustment Requested
May 2008 – October 2008	November 2008	5.684%
November 2008 - April 2009	May 2009	5.068%
May 2009 – October 2009	November 2009	5.041%
November 2009 – April 2010	May 2010	7.103%

As of the date of this offering memorandum, the ENRE has not yet responded to these requests.

Although we believe that these increases comply with the terms of the CMM, we cannot assure you that the ENRE will grant us these increases in full, or at all, or if granted, that we will be able to bill our customers or otherwise recover these increases from other sources of payment (such as PUREE).

These increases, and any further increases granted under the CMM, will remain in force until the approval of a new tariff structure under the RTI.

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

Tariff <sup>(1)</sup>	VAD				Average Taxes				Electric Power Purchases			
	November 2001	January 2005	February 2007	October 2008	November 2001	January 2005	February 2007	October 2008	November 2001	January 2005	February 2007	October 2008
Residential												
TIR1 (0-300)	49.40%	44.50%	44.50%	44.69%	28.70%	28.70%	28.70%	28.70%	21.90%	26.80%	26.80%	26.61%
TIR2 (301-650)	36.20%	33.00%	33.00%	30.81%	29.20%	29.20%	29.20%	29.23%	34.60%	37.80%	37.80%	39.95%
TIR# (651-800)				32.08%				29.23%				38.68%
TIR4 (801-900)				31.63%				29.23%				39.13%
TIR5 (900-1000)				32.75%				29.23%				38.02%
TIR6 (1001-1200)				26.29%				29.23%				44.48%
TIR 7 (1201-1400)				27.18%				29.23%				43.59%
TIR8 (1401-2800)				25.94%				29.23%				44.83%
TIR9 (> 2800)				22.50%				29.23%				48.26%
Commercial - small demands												
TIG1	55.10%	40.00%	47.80%	48.76%	25.70%	25.70%	25.70%	25.68%	19.20%	34.30%	26.50%	25.55%
TIG2	53.60%	31.10%	43.60%	42.39%	25.60%	25.60%	25.60%	25.64%	20.70%	43.20%	30.70%	31.97%
Commercial - medium demand												
T2	43.30%	27.90%	35.50%	38.03%	25.60%	25.60%	25.60%	25.63%	31.00%	46.40%	38.90%	36.34%
Industrial												
T3 low voltage below 300kw	44.20%	26.50%	34.30%	37.86%	25.70%	25.70%	25.70%	25.66%	30.10%	47.80%	40.10%	36.48%
T3 low voltage over 300kw	42.60%	24.50%	32.10%	27.09%	25.60%	25.60%	25.60%	25.62%	31.80%	49.90%	42.30%	47.29%
T3 medium voltage below 300kw	29.30%	14.10%	19.70%	25.25%	25.70%	25.70%	25.70%	25.68%	45.00%	60.30%	54.60%	49.06%
T3 medium voltage over 300kw	27.30%	12.30%	17.50%	17.71%	25.70%	25.70%	25.70%	25.69%	47.00%	62.00%	56.80%	56.60%
Average Tariff	41.20%	28.50%	33.90%	33.16%	27.20%	27.20%	27.20%	27.24%	31.50%	44.20%	38.90%	39.60%

- (1) TIR1 refers to residential customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is less than or equal to 300 kWh. TIR2 refers to residential customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is greater than 300 kWh but less than 650 kWh. TIR3 refers to residential customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is greater than 650 kWh but less than 800 kWh. TIR4 refers to residential customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is greater than 800 kWh but less than 900 kWh. TIR5 refers to residential customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is greater than 900 kWh but less than 1,000 kWh. TIR6 refers to residential customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is greater than 1,000 kWh but less than 1,200 kWh. TIR7 refers to residential customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is greater than 1,200 kWh but less than 1,400 kWh. TIR8 refers to residential customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is greater than 1,400 kWh but less than 2,800 kWh. TIR9 refers to residential customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is greater than 2,800 kWh. TIG1 refers to commercial customers whose peak capacity demand is less than 10kW and whose bimonthly energy demand is less than or equal to 1600 kWh. TIG2 refers to commercial

customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is greater than 1600 kWh. T2 refers to commercial customers whose peak capacity demand is greater than 10 kW but less than 50 kW. T3 refers to customers whose peak capacity demand is equal to or greater than 50 kW. The T3 category is applied to high-demand customers according to the voltage (tension) at which each customer is connected. Low tension is defined as voltage less than or equal to 1 kV and medium tension is defined as voltage greater than 1kV but less than 66 kV.

*Integral Tariff Revision (Revisión Tarifaria Integral, or RTI)* Pursuant to the Adjustment Agreement, we are also currently engaged in an integral tariff revision process with the ENRE.

On April 30, 2007, the Argentine Secretary of Energy published Resolution No. 434/2007, which established that the new tariff structure resulting from the RTI would take effect on February 1, 2008 and would be implemented in two installments, in February and August 2008. In July 2008, the Secretary of Energy issued Resolution 865/2008, which reviews the RTI schedule contemplated by the Adjustment Agreement. The Secretary revised the original RTI schedule and stated that the new tariff structure of the RTI would take effect in February 2009 and that if in February 2009 the tariff resulting from the RTI were greater than the tariff in place at that moment, the tariff increase would be applied in three stages: the first adjustment would take place in February 2009, the second in August 2009 and the last one in February 2010. As of the date of this offering memorandum, no resolution has been issued concerning the application of the electricity rate schedule resulting from the RTI, which was expected to be in effect since February 1, 2009.

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

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

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

Based on the parameters of the RTI set forth in the Adjustment Agreement, we expect that this revised tariff scheme will maintain our current distribution margins following the increases granted under the Adjustment Agreement (including any increases granted pursuant to the CMM) and include a cost adjustment mechanism similar to the CMM. Because the RTI is provided for in the Adjustment Agreement, which was approved by the Argentine Congress and ratified by the Argentine executive branch, we believe that the ENRE's decision will not be subject to ratification procedures. See "Risk Factors—Risks relating to our business." The Adjustment Agreement may be subject to challenge by Argentine consumer and other groups, which, if successful, could materially adversely affect our ability to implement any tariff adjustments granted by the Argentine government."

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

prospects depend on our ability to negotiate further improvements to our tariff structure, including increases in our distribution margin.”

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

### ***Demand***

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

### ***Electricity demand***

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

Year	Electricity Demand <sup>(1)</sup>	Edenor Demand <sup>(2)</sup>	Edenor’s Demand as a % of Total Demand
		<b>(in GWh)</b>	
1994.....	55,827	11,386	20.4%
1995.....	57,839	11,629	20.1%
1996.....	61,513	12,390	20.1%
1997.....	66,029	13,046	19.8%
1998.....	69,103	13,768	19.9%
1999.....	71,689	14,447	20.2%
2000.....	75,591	15,148	20.0%
2001.....	78,098	15,414	19.7%
2002.....	76,483	14,865	19.4%
2003.....	82,261	15,811	19.2%
2004.....	87,477	16,673	19.1%
2005.....	92,340	17,623	19.1%
2006.....	97,590	18,700	19.2%
2007.....	102,950	20,233	19.7%
2008.....	105,959	20,863	19.7%
2009.....	104,592	20,676	19.8%

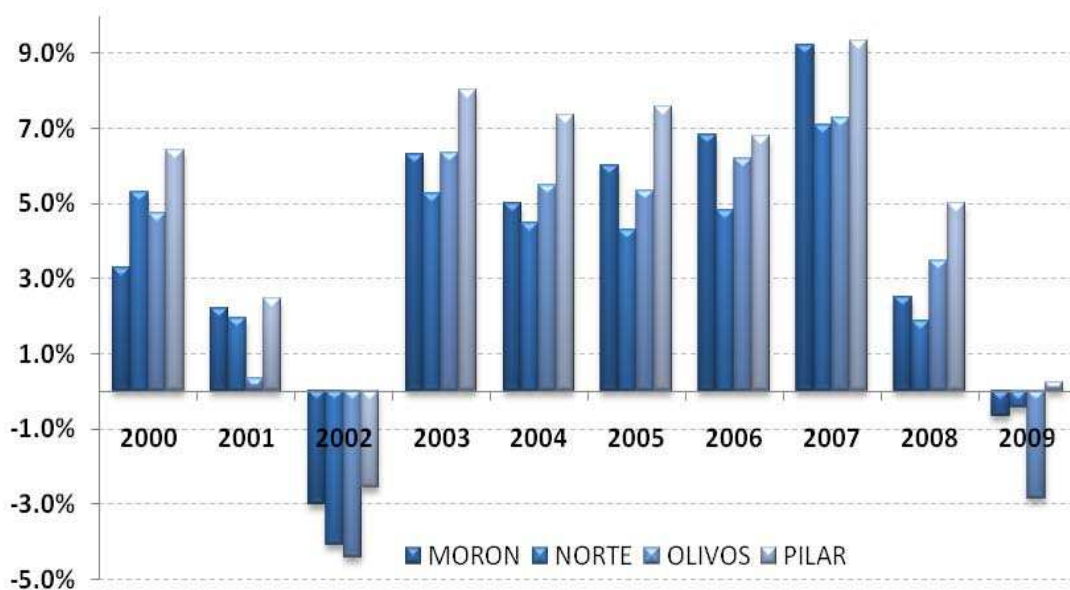
Source: CAMMESA

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

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

Electricity demand in our concession area has grown an average of 4.1% per annum since 1994. The evolution of demand shows two growth periods interrupted by a slight decline in demand in 2002 attributable to the economic crisis, and a slight decrease registered in 2009, as a consequence of the international financial crisis.

The following graph represents the annual growth of energy purchased to satisfy the demand of each operating area from 2000 through 2009:



Beginning in mid-2001 through 2002, the decline in the overall level of economic activity and the deterioration in the ability of many of our customers to pay their bills as a result of the crisis led to an overall decrease in demand for electricity and an increase in non-technical energy losses. After the economic crisis, however, demand started growing again, increasing an average of 5.8% per annum from 2003 through 2008. This increase in demand was due to renewed growth in the Argentine economy since the second half of 2003 and the relative low cost of energy to consumers, in real terms, resulting from the freeze of our distribution margin and the elimination of the inflation adjustment provisions of our concession in 2002. Demand by residential customers increased by 5.6% in 2008, primarily due to the addition of new appliances and the relative low cost of energy, in real terms. In 2009, residential demand new decreased by 2.7%, the first annual decline since the 2002 crisis, resulting from the slowdown in Argentina’s economy this year. Demand by our high-demand customers and wheeling system customers has also experienced a decrease in 2009 due to a decrease in economic activity, particularly in the industrial sector (which includes wheeling customers), with demand decreasing by 2.2% in 2009.

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

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

The Argentine government has also implemented the PUREE in an attempt to curb increases in energy demand by offering rewards to residential and small commercial customers who reduce their energy usage in comparison to their use in 2003. In 2005, the Argentine Government implemented a second version of the PUREE (PUREE II), which rewards residential and small commercial customers based on their usage in 2003 and industrial



customers based on their usage in 2004. The PUREE II also penalizes industrial customers whose usage exceeds 90% of 2004 levels and penalizes residential customers with bi-monthly consumption levels at or above 300 KWh and small commercial customers whose usage exceeds 90% of their usage levels for 2003. Residential customers with consumption levels below 300 KWh are exempt from penalty. In spite of the PUREE, energy demand has continued to increase during the three years it has been in effect.

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

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

We cannot make assurances that the tariffs that result from the RTI or future economic, social and political developments in Argentina, over which we have no control, will not have an adverse effect on energy demand in Argentina. See “Risk factors—Risks related to the Electricity Distribution Sector—Electricity Demand May Be Affected by Recent or Future Tariff Increases.”

### ***Capacity demand***

Demand for installed capacity to deliver electricity generally increases with growth in demand for electricity. However, since the 2001 crisis, with the exception of the two thermal generation plants described below, no new generation plants have been built. However, the Argentine government has implemented some economic incentives, such as those contained in the *Energía Plus* Program, which have served to increase generating capacity in existing generation plants such as Central Térmica Güemes and Central Loma de la Lata. A lack of generation capacity would place limits on our ability to grow and could lead to increased service disruptions, which could cause an increase in our fines. See “Risk Factors—Risks Relating to the Electricity Distribution Sector—Energy Shortages May Act as a Brake on Growing Demand for Electricity and Disrupt Distribution Companies’ Ability to Deliver Electricity to Their Customers, Which Could Result in Customer Claims and Material Penalties Imposed on These Companies.”

In response to the lack of private investment in new generation plants, the Argentine government undertook a project to construct two 800 MW thermal generation plants, Central Termoeléctrica Manuel Belgrano and Central Termoeléctrica General San Martín. Construction of these two plants was completed and operations commenced in 2009. The two plants were constructed with funds derived from three sources: net revenues of generators derived from energy sales in the spot market, a special charge to our non-residential customers per MWh of energy billed and a specific charge from CAMMESA applicable to large users. In addition to the construction of these two new thermal generation plants, in September 2006 the Secretary of Energy of the Ministry of Federal Planning, Public Investment and Services issued Resolution No. 1281/06 in an effort to respond to the sustained increase in energy demand following Argentina’s economic recovery after the crisis. This Resolution seeks to create incentives for energy generation plants to meet increasing energy needs. The government has also required us to finance 24%, and Empresa Distribuidora Sur S.A. (Edesur) 26%, of the construction costs of two high-tension 220 KV lines between the *Central Puerto* and *Central Costanera* generators and the *Malaver* network, which will provide access to an additional 600MW of energy from the Central Puerto and Central Costanera generators that currently cannot be distributed due to saturation of their grids. We estimate that we will be required to contribute an aggregate of approximately Ps. 45.0 million to construction of the Malaver network under the scheduled capital expenditures of the Adjustment Agreement. The actual costs of this project will be determined at the time we receive and accept bids from third party contractors in connection with the project.

We cannot make assurances that these initiatives will be implemented in a timely manner or that they will be able to serve our energy demands in the manner we anticipate.

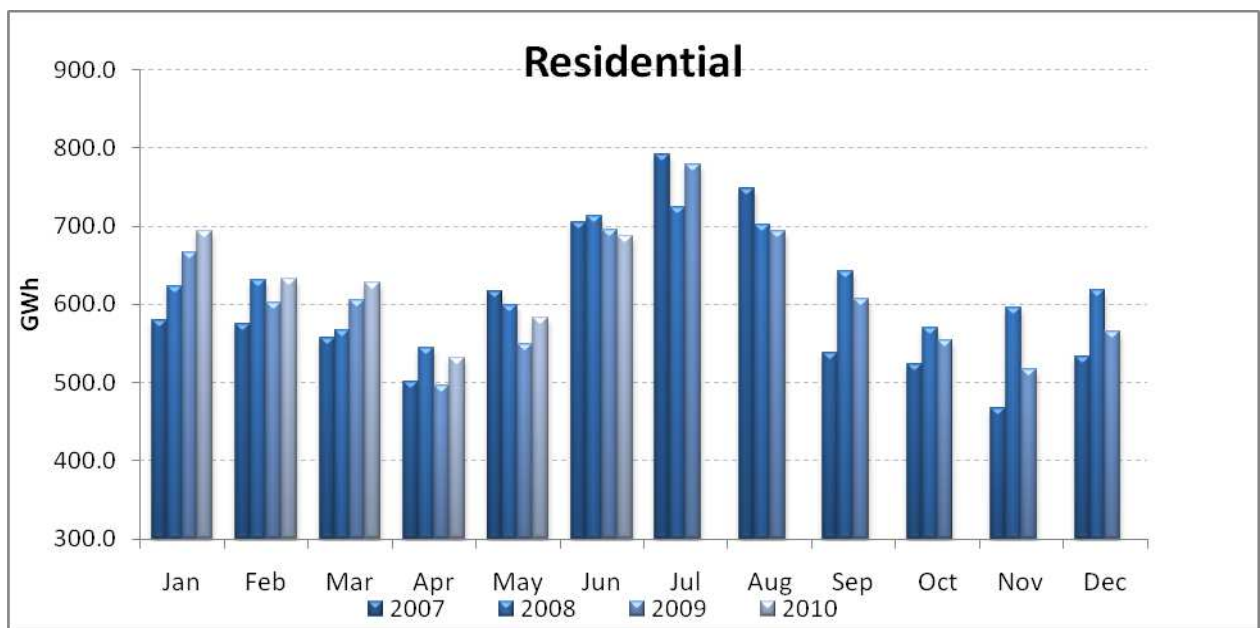
### ***Seasonality of Demand***

Seasonality has a significant impact on the demand for electricity in our concession area, with electricity consumption peaks in summer and winter. The impact of seasonal changes in demand is registered primarily in our

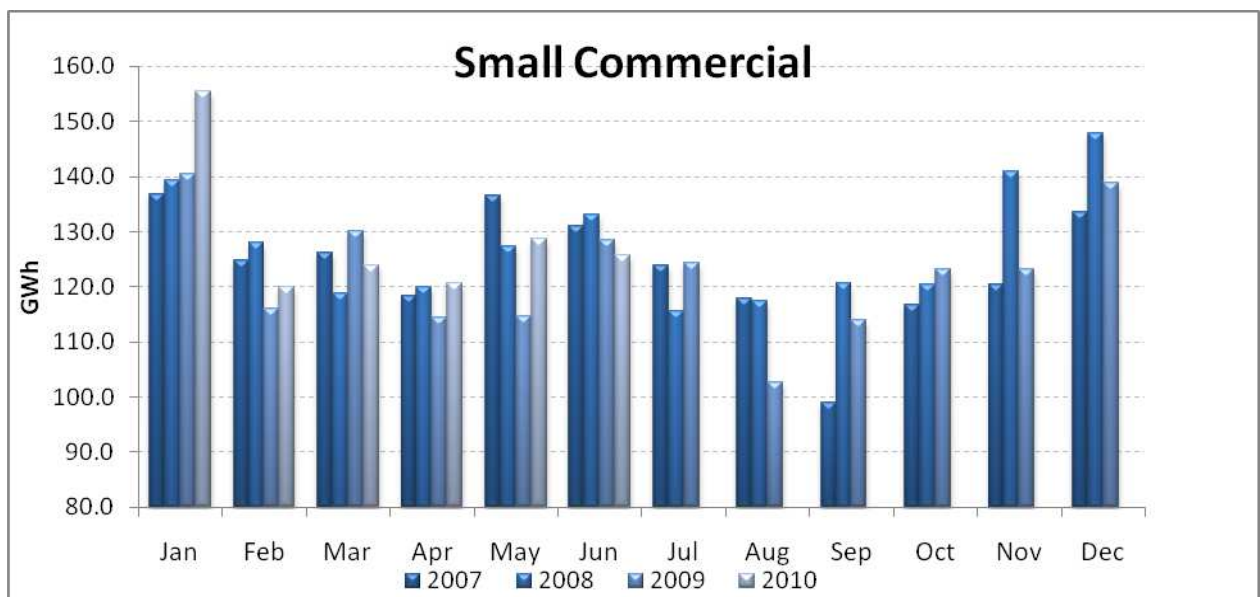
residential and small commercial customer categories. The seasonal changes in demand are attributable to the impact of various climatological factors, including weather and the amount of daylight time, on the usage of lights, heating systems and air conditioners.

The impact of seasonality on industrial demand for electricity is less pronounced than on the residential and commercial sectors for several reasons. First, different types of industrial activity by their nature have different seasonal peaks, such that the effect on them of climate factors is more varied. Second, industrial activity levels tend to be more significantly affected by the economy, and with different intensity levels depending on the industrial sector.

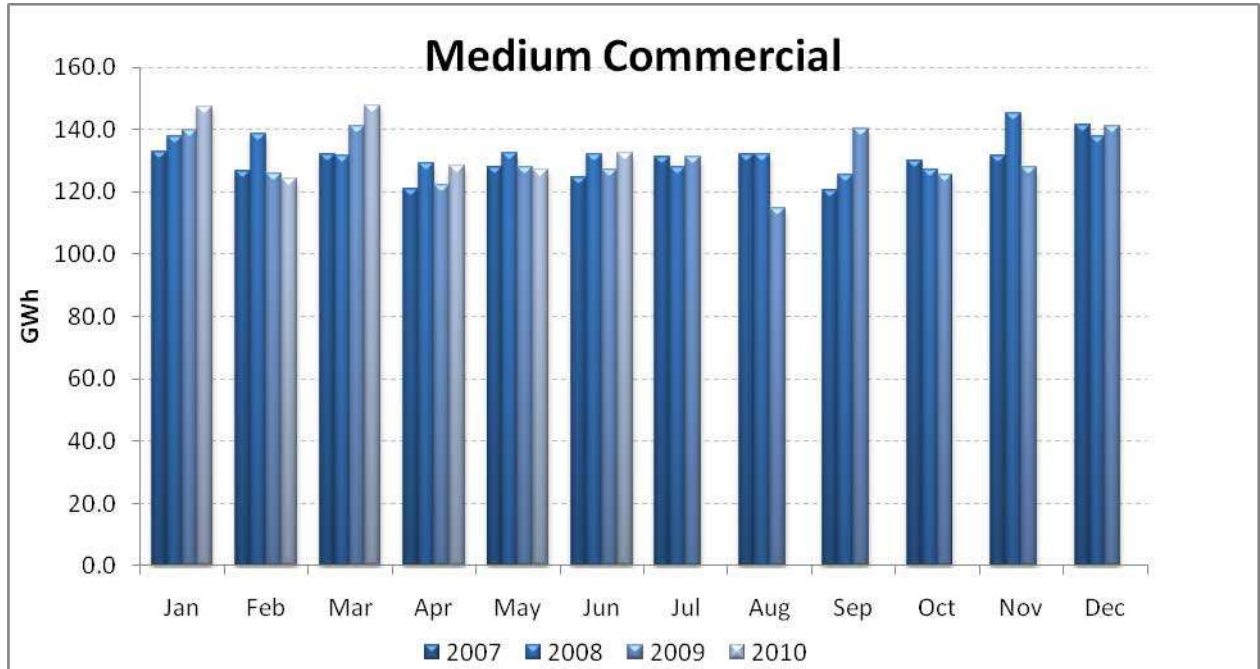
The chart below shows seasonality of demand in our residential customer category for the periods indicated.



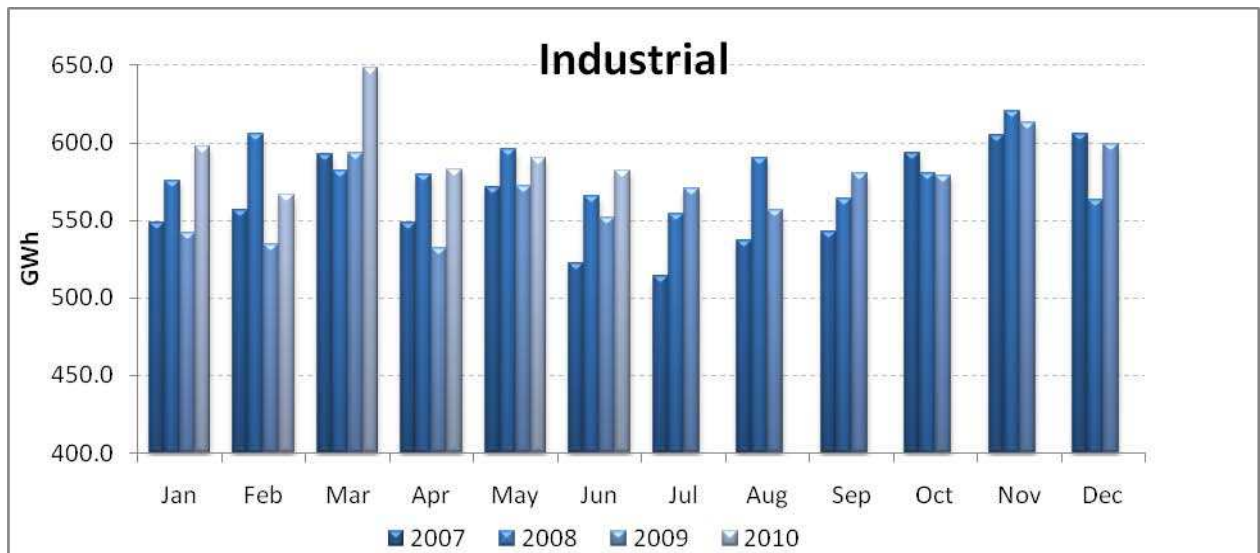
The chart below shows seasonality of demand in our small commercial customer category for the periods indicated.



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



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



**Taxes on electricity tariffs**

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

### ***Framework agreement (Shantytowns)***

We also supply electricity to low-income areas and shantytowns within our concession area under a special regime established pursuant to a framework agreement that we, Edesur and Empresa Distribuidora La Plata S.A. (Edelap) entered into in October 2003 with the Argentine government and the Province of Buenos Aires. The framework agreement contains terms similar to a prior framework agreement entered into in 1994. Pursuant to the new framework agreement, we are compensated for the service we provide to shantytowns by a commission in each shantytown that collects funds from residents of the shantytown. In addition, we are compensated by the municipality in which each shantytown is located, and, if there is any payment shortfall, by a special fund to which the Argentine government and the Province of Buenos Aires each contributes and to which each is severally liable. The new framework agreement took effect retroactively from September 1, 2002 and was to remain in effect through the earlier of December 31, 2006 or the full normalization of the shantytowns.

On June 23, 2008, we signed an amendment to the Framework Agreement with the Argentine government, the Province of Buenos Aires and the other national electric distributors agreeing to extend the framework agreement four years from January 1, 2007. The Argentine government ratified the amendment on September 22, 2008, and the Province of Buenos Aires published the ratification of this Addendum on June 18, 2009 in the Official Bulletin of the Province of Buenos Aires. Throughout this process, we have continued to supply energy to the shantytowns.

In October 2006, we entered into a payment plan agreement with the Province of Buenos Aires with respect to amounts owed to us by the Province of Buenos Aires under the new framework agreement with respect to periods prior to 2007. See “Business—Framework Agreement (Shantytowns).”

In March 2010, the Company signed with the Government of the Province of Buenos Aires a payment plan agreement with respect to amounts owed to us by the Province of Buenos Aires under the new framework agreement. The Government of the Province of Buenos Aires agreed to pay the amount due through Cancellation Bonds (*Bonos de Cancelación de Deuda*), which are bonds issued by the Province of Buenos Aires for the purpose of paying outstanding obligations of the Province. The agreement was signed subject to the approval of the Provincial Executive Power and the Company’s board of directors. The Company’s board accepted the agreement in the meeting held on April 27, 2010. In May and June 2010, the Company received payments from the Government of the Province of Buenos Aires for Ps. 1.6 million in cash and Ps. 30.9 million (principal amount) of Cancellation Bonds. These Cancellation Bonds were issued by the Province of Buenos Aires on December 15, 2009, with a maturity of March 15, 2011. The Cancellation Bonds we received amortise in twelve equal and consecutive payments, have a three month grace period for capital payments and earn interest at a rate of BADLAR plus 450 base points and are freely transferable. As of June 30, 2010, we held Ps. 25.6 million of Cancellation Bonds and all payments on these Cancellation Bonds have been made according to schedule.

Our receivables for amounts accrued but not yet paid for the supply of energy to shantytowns under the framework agreement amounted to Ps. 29.0 million as of June 30, 2010, Ps. 54.8 million as of December 31, 2009 and Ps. 49.4 million as of December 31, 2008. Throughout this process, we have continued to supply energy to the shantytowns.

### ***Operating Expenses***

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

After depreciation, our highest expenses are typically salaries and social security taxes. We believe that future increases in our salary and social security expenses will result primarily from salary raises rather than from a significant growth in our work force, which we anticipate will remain relatively stable in the near future. We typically try to reach an agreement at the beginning of each fiscal year, although we have, in the past, implemented mid-year salary increases as necessary.

We seek to maintain a flexible cost base by achieving an optimal level of outsourcing, which allows us both to maintain a lower cost base and gives us the ability to respond more quickly to changes in our market. We had

approximately 3,611 third-party employees under contract with our company as of December 31, 2009, 3,029 as of December 31, 2008 and 3,612 as of December 31, 2007. As of June 30, 2010 we had approximately 3,430 third-party employees. The number of third-party employees under contract does not directly relate to the number of third-party employees actually performing services for our company at any given time, as we only pay for the services of these employees on an as-needed basis. See “Business—Employees.”

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

### Critical accounting policies and estimates

A summary of our significant accounting policies is included in notes 2 and 3 of our audited and unaudited financial statements, which are included in this offering memorandum. The preparation of financial statements requires our management to make estimates and assumptions that affect the amounts reported in our financial statements and accompanying footnotes. Our estimates and assumptions are based on historical experiences and changes in the business environment. However, actual results may differ from estimates under different conditions, sometimes materially. Critical accounting policies and estimates are defined as those that are both most important to the portrayal of our financial condition and results and require management’s most subjective judgments. Our most critical accounting policies and estimates are described below.

#### Allowance for doubtful accounts

Our trade receivables include services billed but not collected, and services accrued but not billed as of the end of each year, net of an allowance for doubtful accounts. The allowance for doubtful accounts is assessed based on the historical levels of collections for services billed through the end of each year and subsequent collections. Future adjustments to the allowance may be necessary if future economic conditions differ substantially from the assumptions used in the assessment for each year. The related charges to the allowance for doubtful accounts are included in selling expenses.

	Six-month period ended June 30,		Year ended December 31,		
	2010		2009	2008	2007
	(in millions of Pesos)				
<b>Allowance for doubtful accounts:</b>					
Beginning balance .....	Ps. 19.7	Ps.	33.1	Ps. 40.0	Ps. 25.6
Additions .....	7.8		20.3	23.6	30.1
Retirements .....	(2.8)		(6.8)	(6.5)	(15.7)
Recovery .....	—		(27.0)	(24.0)	—
Ending balance .....	<u>Ps. 24.7</u>	<u>Ps.</u>	<u>19.7</u>	<u>Ps. 33.1</u>	<u>Ps. 40.0</u>

As of December 31, 2009, 2008 and 2007, the allowance for doubtful accounts was Ps. 19.7 million, Ps. 33.1 million and Ps. 40.0 million, respectively. As of June 30, 2010, the allowance for doubtful accounts was Ps. 24.7 million. During 2009, 2008 and 2007, the additions to the allowance for doubtful accounts amounted to Ps. 20.3 million, Ps. 23.6 million and Ps. 30.1 million, respectively, and the retirements amounted to Ps. 6.8 million, Ps. 6.5 million and Ps. 15.7 million, respectively. In the six-month period ended June 30, 2010, we made additions to the allowance for doubtful accounts of Ps. 7.8 million and retirements of Ps. 2.8 million. The recovery of Ps. 27.0 million in 2009 and Ps. 24.0 million in 2008 was due to the new framework agreement that we signed with and was ratified by the Argentine government and the Province of Buenos Aires. See “Business—Framework Agreement (Shantytowns).”

### ***Revenue recognition***

We recognize our revenues from operations, which relate primarily to electricity distribution, on an accrual basis. These revenues include energy supplied (whether billed or unbilled) at year-end, valued on the basis of applicable tariffs. We also recognize revenues from other components of our distribution services, such as new connections, pole rentals and the transportation of energy to other distribution companies. We recognize revenues when our revenue earning process has been substantially completed, the amount of revenues may be reasonably measured and we believe we are entitled to enjoy the economic benefit derived from such revenues. During 2007, we recognized the retroactive increase in revenues resulting from the tariff increase pursuant to the ratification of the Adjustment Agreement when the ENRE issued its resolution authorizing our new tariff schedule with respect to non-residential customers for the period from November 2005 through January 31, 2007, and subsequently published such resolution in the Argentine Official Gazette on February 5, 2007.

On October 4, 2007 the Official Gazette published Resolution N° 1037/2007 of the Secretary of Energy. This resolution established that the portion of our tariff relating to energy purchases, which we ordinarily pass through to our customers, as well as the amounts corresponding to the CMM for the period from May 2006 through April 2007, would have to be deducted from the funds collected under the PUREE, until the regulatory authorities adjusted our tariff in order to compensate us for these amounts. The resolution also establishes that the CMM adjustment for the period from May 2006 through April 2007, in effect as of May 1, 2007, amounts to 9.63%. Additionally, on October 25, 2007 the ENRE issued Resolution N° 710/2007, which approves the use of the PUREE as a CMM compensation mechanism. In accordance with this resolution, we recognize the revenues resulting from the 9.63% CMM adjustment and collected through the PUREE funds, although, in the case of the PUREE funds, we cannot assure you that we will continue to be able to retain such funds in the future or that we will not be obligated to return a portion or all of such funds already retained.

In July 2008, we obtained an increase of approximately 17.9% to our distribution margin, which we incorporated into our tariff structure. This increase represented the 9.63% CMM increase corresponding to the period from May 2006 to April 2007 and the 7.56% CMM increase corresponding to the period from May 2007 to October 2007. These CMM adjustments were included in our tariff structure as of July 1, 2008 and resulted in an average increase of 10% for customers in the small commercial, medium commercial, industrial and wheeling system categories and an average increase of 21% for residential customers with bimonthly consumption levels over 650 kWh. As of December 31, 2008, we recorded a total amount of Ps. 84.6 million in net sales for these two CMM adjustments.

### ***Impairment of long-lived assets***

We periodically evaluate the carrying value of our long-lived assets for impairment. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recovered. The value in use was determined as of December 31, 2009 primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. We have made projections in order to determine the recoverable value of our non current assets based on the estimated outcome of the RTI. No impairment was recognized during the years presented. We do not foresee likely circumstances in the near future that would result in the recognition of an impairment of long-lived assets.

### ***Accrued litigation***

We recognize contingent liabilities with respect to existing or potential claims, lawsuits and other legal proceedings and record an accrual for litigation when it is probable that future costs will be incurred and these costs can be reasonably estimated. These accruals are based on the most recent developments, our assessment of the likely outcome of the litigation and our counsel's advice in dealing with, litigating and settling this and other similar legal matters. Changes to the accrual may be necessary if future events differ substantially from the assumptions used in the assessment for each period. In 2009, we recorded a net decrease to our accrual for litigation of Ps. 24.9 million basically due to recovery of a fiscal contingency as a consequence of entering into a tax payment plan agreement offered pursuant to law N° 26476. This amount is net from the increase generated by new litigation and changes in our evaluation of existing litigation. Our accrual for litigation amounted to Ps. 72.9 million at December 31, 2009, Ps. 97.8 million at December 31, 2008 and Ps. 82.7 million at December 31, 2007. As of June 30, 2010, our accrual for litigation amounted to Ps. 70.3 million.

### ***Income tax and tax on presumptive minimum income***

Until December 31, 2002, we determined our income tax charge by applying the legal tax rate of 35% to our taxable income for the year. During that period, the effect of temporary differences between book value and the taxable basis of our assets and liabilities was not considered. Since 2003, current generally accepted accounting principles in Argentina require us to determine the income tax charge under the deferred tax method. This method involves the recognition of certain assets and liabilities in cases where there is a temporary difference between the accounting valuation and the tax valuation of those assets and liabilities, excluding differences in price levels on assets and liabilities as adjusted for inflation and their historical tax basis, which are treated as permanent differences.

As of December 31, 2005, a valuation allowance had been recorded in our financial statements to reduce the deferred tax assets. Based on available information as of the end of each of those years, it was more likely than not that these deferred tax assets would not be realized. The amount of the valuation allowance was based on various factors, such as historical taxable income, projected future taxable income, the experience with previous tax audits and different interpretations of tax regulations by the tax authority. As of December 31, 2006, the valuation allowance of the deferred tax assets was partially reversed mainly due to the fact that, as a consequence of the ratification of the Adjustment Agreement in January 2007 and the renegotiation of our financial debt in April 2006, we have expected to generate taxable income allowing us to offset a significant portion of the tax loss carryforwards we generated in 2002 before such offset becomes barred by the applicable statute of limitations. The reversal of the deferred tax asset related to the tax loss carryforward was due to a significant increase in our taxable income, which was partially offset by the tax deduction of the ENRE penalties in 2007. In the year ended December 31, 2008, we reversed the entire valuation allowance of the deferred tax assets.

Our tax obligation for any given year is equal to the higher of our income tax and the tax on our minimum presumed income. However, to the extent that our tax on minimum presumed income exceeds our income tax, we earn tax credit against the payment of any income tax in excess of our tax on minimum presumed income in the subsequent ten fiscal years. In 2009 and during the six-month period ended June 30, 2010, our income tax exceeded our minimum presumed income tax and so we earned no additional credits.

### ***Labor cost liabilities***

Labor cost liabilities and early retirement payables correspond to the following charges:

- paid leave for accumulated vacation;
- bonuses to employees with a specified number of years of employment and who are included in our collective bargaining agreements;
- benefits to employees (pension plan) which are included in our collective bargaining agreements, to be given at the time of retirement; and
- early retirement payables.

Our accruals for early retirement payables amounted to Ps. 15.2 million at June 30, 2010, Ps. 16.0 million at December 31, 2009, Ps. 20.9 million at December 31, 2008 and Ps. 8.0 million at December 31, 2007.

Liabilities related to bonuses and benefits to employees (pension plans) are calculated considering all rights accrued by the beneficiaries of both plans as of year end based on an actuarial report issued by an independent professional as of that date. These liabilities are recorded as bonuses accrued and provisions for benefits to personnel, respectively. Our liabilities related to bonuses and benefits to employees (pension plans) amounted to Ps. 38.9 million at June 30, 2010, to Ps. 33.9 million at December 31, 2009, Ps. 26.1 million at December 31, 2008 and Ps. 19.0 million at December 31, 2007. Actuarial calculations are typically based on the following key assumptions: employee turnover, actual salary increases, mortality ages, disability studies, retirement age probability studies, discount rates and inflation. These assumptions change as market and economic conditions change. See

notes 3 and 8 to our audited and unaudited financial statements included elsewhere in this offering memorandum for further information on our labor cost liabilities.

### ***Financial debt***

We record our financial debt in our balance sheet at the fair value reflecting our management's best estimate of the amounts expected to be paid at each period end. The fair value has been determined as the present value of the future cash flows to be paid (including payment of interest) under the terms of the debt discounted at a rate which, in accordance with the criterion we apply, reasonably reflected market assessment of the time value of money and risk specific of the debt instruments at the time of their initial measurement. During the year ended December 31, 2006, we recorded the restructuring of debt after receiving consents to our restructuring from holders of 100% of our defaulted debt. The debt extinguishment generated a gain of Ps. 179.2 million. We did not record any adjustment to present value before the year ended December 31, 2006 because our financial debt was in default. The adjustment to present value of the future cash flows of the debt issued in the restructuring, using a market interest rate of 10.5%, generated a charge of Ps. 1.5 million for the six-month period ended June 30, 2010, Ps. 5.2 million for the year ended December 31, 2009, and Ps. 8.5 million for the year ended December 31, 2008.

During 2007 we used a portion of the proceeds of our initial public offering to repurchase U.S. \$36 million aggregate principal amount of our Discount Notes due 2014. In addition, we repurchased U.S. \$43.7 million aggregate principal amount of our Fixed Rate Par Notes due 2016.

On October 9, 2007 we issued our U.S. \$220 million 10.5% Senior Notes due 2017. We used the proceeds from that offering to repurchase and redeem in full our Discount Notes due 2014. We used the balance of the proceeds from the October debt offering for capital expenditures and working capital purposes.

During the years ended December 31, 2009 and December 31, 2008, we repurchased a total amount of U.S. \$32.2 million and U.S. \$32.5 million of principal amount of our Fixed Rate Par Notes due 2016 and U.S. \$53.8 million and U.S. \$17.5 million of our Senior Notes due 2017, respectively. As of December 31, 2009 we recorded a gain of Ps. 73.6 million related to these repurchases and redemptions. In addition, the adjustment to present value of the cash flows of these repurchased and redeemed notes, using a market interest rate of 10.5% for the year ended December 31, 2009, generated an accounting gain of Ps. 7.9 million.

During July 2010, we repurchased and cancelled U.S. \$7.3 million of principal amount of our Fixed Rate Par Notes due 2016.

In May 2009, we issued Ps. 75.7 million principal amount of Par Notes due 2013 under our Medium Term Note Program. The Par Notes due 2013 are denominated and payable in Argentine Pesos and accrue interest on a quarterly basis at a rate equal to the private BADLAR, as published by the Argentine Central Bank, plus 6.75%. We used the proceeds from this debt offering for capital expenditures and working capital purposes.

As of the date of this offering memorandum, we hold U.S. \$65.3 million principal amount of our Senior Notes due 2017. These notes are not considered as our outstanding debt obligations. We intend to cancel these U.S. \$65.3 Senior Notes due 2017 along with any additional Senior Notes due 2017 that we acquire pursuant to the Concurrent Invitation. In addition, it should also be noted that the guarantee fund managed by ANSES holds U.S. \$39.9 million of our Senior Notes due 2017.

### ***Derivatives Contracts***

#### *Derivative instruments relating to our outstanding notes*

In 2008, we entered into various derivative financial agreements in order to hedge our exposure to fluctuations in exchange rates and interest rates on our Senior Notes due 2017 and Fixed Rate Par Notes due 2016 for payments coming due in 2008 and 2009. As of December 31, 2009, these transactions have been fully settled.

These instruments are recorded in our financial statements at their net realizable value (if recorded as assets) or settlement value (if recorded as liabilities). Our income statement records the financial gains and losses



associated with these instruments for the year under financial income (expense) and holding gains (losses) under exchange difference.

As of December 31, 2009 and 2008, income resulting from these transactions amounted to Ps. 1.6 million and Ps. 5.7 million, respectively.

#### ***Forward and futures contracts***

In 2009, we entered into various forward and futures contracts in order to hedge against fluctuations in the U.S. dollar exchange rate.

As of June 30, 2010 and December 31, 2009, the economic impact of these transactions, including contracts that had already been settled as well as those still in effect, resulted in a loss of Ps. 9.6 million and Ps. 12.3 million, respectively that was recorded in our income statement under financial income (expense) and holding gains (losses) generated by assets under holding results.

#### ***Adoption of IFRS***

On December 29, 2009, the CNV issued Resolution No. 562 “Adoption of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB)” (“Resolution No. 562”) which requires that companies under the supervision of the CNV, such as us, prepare their financial statements in accordance with IFRS as published by the IASB for fiscal periods beginning on or after January 1, 2012 including comparative information for earlier periods.

IFRS 1, First Time Adoption of International Financial Reporting Standards, is the guidance that is applied during preparation of a company’s first IFRS-based financial statements. IFRS 1 was created to help companies transition to IFRS and provides practical accommodations intended to make first-time adoption cost-effective. It also provides application guidance for addressing difficult conversion topics.

The key principle of IFRS 1 is full retrospective application of all IFRS standards that are effective as of the closing balance sheet or reporting date of the first IFRS financial statements. IFRS 1 requires companies to (i) identify the first IFRS financial statements; (ii) prepare an opening balance sheet at the date of transition to IFRS; (iii) select accounting policies that comply with IFRS and to apply those policies retrospectively to all of the periods presented in the first IFRS financial statements; (iv) consider whether to apply any of the optional exemptions from retrospective application; (v) apply the mandatory exceptions from retrospective application; and (vi) make extensive disclosures to explain the transition to IFRS. Exemptions provide limited relief for first-time adopters, mainly in areas where the information needed to apply IFRS retrospectively may be most challenging to obtain.

In addition, on July 1, 2010, the CNV issued Resolution No. 576, which provides corrections, additional guidance and further explanation of those aspects concerning Resolution No. 562 about which the issuers of financial statements had raised objections or asked for clarification.

The Company is currently assessing the impact that this change would have on their respective financial statements, and will continue to monitor the development of the implementation of IFRS.

## Results of Operations

### Summary of results

The following table provides a summary of our operations for the six-month periods ended June 30, 2010 and 2009 and for the years ended December 31, 2009, 2008 and 2007.

	Six-month period ended June 30,		Year ended December 31,		
	2010	2009	2009	2008	2007
	(in millions of Pesos)				
Net sales .....	Ps. 1,090.9	Ps. 1,060.2	Ps. 2,077.9	Ps. 2,000.2	Ps. 1,981.9
Electric power purchases .....	(526.2)	(519.3)	(1,003.4)	(934.7)	(889.9)
Gross margin .....	564.7	540.9	1,074.5	1,065.5	1,092.0
Transmission and distribution expenses .....	(301.3)	(264.7)	(548.6)	(497.9)	(417.6)
Selling expenses .....	(90.3)	(76.8)	(159.0)	(126.0)	(120.6)
Administrative expenses .....	(80.8)	(64.2)	(176.6)	(138.7)	(124.7)
Subtotal .....	92.3	135.2	190.4	302.9	429.2
Financial income (expenses) and holding gains (losses)					
Generated by assets .....	6.5	50.1	75.2	10.6	12.6
Generated by liabilities .....	(82.4)	(146.6)	(198.5)	(198.0)	(125.5)
Adjustment to present value of the retroactive tariff increase arising from the application of the new electricity rate schedule and from the Payment Plan Agreement with the Province of Buenos Aires .....	9.4	(10.7)	3.4	13.5	(29.6)
Adjustment to present value of notes .....	(1.5)	(4.8)	(5.2)	(8.5)	(21.5)
Gain (loss) from repurchase of notes .....	—	77.0	81.5	93.5	(18.9)
Other (expenses) income, net .....	(8.2)	34.4	23.3	(29.8)	1.0
Net income before income tax .....	16.1	134.7	169.9	184.3	247.4
Income tax .....	(17.4)	(57.8)	(79.3)	(61.2)	(125.0)
Net (loss) income for the period/year .....	Ps. (1.3)	Ps. 77.0	Ps. 90.6	Ps. 123.1	Ps. 122.5

### Six-month period ended June 30, 2010 compared with the six-month period ended June 30, 2009

#### Net sales

Our net sales increased 2.9% to Ps. 1,090.9 million in the first half of 2010 from Ps. 1,060.2 million in the first half of 2009. Energy sales increased 3.0% (Ps. 31.7 million) to Ps. 1,093.7 million in the first half of 2010 from Ps. 1,062.0 million in the first half of 2009.

This increase was due to:

- An increase of 5.1% in the volume of energy sold, from 8,969 GWh sold in the first half of 2009 to 9,427 GWh sold in the first half of 2010, attributable to a 2.7% increase in the average GWh consumption per customer and a 2.3% increase in the number of customers; and
- An increase of 3.9% in the capacity sold to certain customers.

This increase was partially offset by a decrease in the energy purchase price applied to certain customers (residential customers with bimonthly consumption levels over 1000 KWh), due to the application of a new tariff scheme as of June 1, 2010. The new tariff scheme is aimed at reducing the impact of increased winter electrical energy consumption on the invoicing of residential customers with bi-monthly consumption exceeding, 1,000 kWh. The modification to the ENRE rate charts did not have any effect on our VAD.

In the six-month period ended June 30, 2010, net energy sales represented 97.9% of our net sales; late payment charges, pole leases, connection and reconnection charges account for the remaining 2.1%.

### ***Electric power purchases***

The amount of electric power purchases increased 1.3% to Ps. 526.2 million for the first half of 2010 from Ps. 519.3 million in the first half of 2009, mainly due to an increase of 6.0% in the volume of electricity purchased, from 10,147 GWh in the first half of 2009 to 10,756 GWh in the first half of 2010 (excluding the wheeling system demand). This increase was partially offset by a decrease in the energy purchase price applied to certain customers (residential customers with bimonthly consumption levels over 1000 KWh), due to the application of the new tariff scheme from June 1, 2010.

Energy losses increased to 12.4% in the first half of 2010 from 11.6% in the first half of 2009. See “—Factors affecting our results of operation—Recognition of cost of energy losses.”

### ***Gross margin***

Our gross margin increased 4.4% to Ps. 564.7 million in the first half of 2010 from Ps. 540.9 million in the first half of 2009. This positive variation was mainly due to a greater increase in the volume of energy and capacity sold as compared to the increase in electric power purchases.

### ***Transmission and distribution expenses***

Transmission and distribution expenses increased 13.8% to Ps. 301.3 million in the first half of 2010 from Ps. 264.7 million in the first half of 2009, mainly due to:

- a Ps. 25.2 million increase in salaries and social security taxes due to salary increases;
- a Ps. 5.9 million increase in outsourcing due to increases in contractors’ prices; and
- a Ps. 6.3 million increase in supplies.

In terms of percentage of net sales, transmission and distribution expenses increased from 25.0% in the first half of 2009 to 27.6% in the first half of 2010.

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

	Six-month period ended June 30,					
	2010	% on 2010 net sales		2009		% on 2009 net sales
			(in millions of Pesos)			
Salaries and social security taxes.	Ps. 128.4	42.6%	11.8%	Ps. 103.2	39.0%	9.7%
Supplies Consumption .....	20.6	6.8%	1.9%	14.4	5.4%	1.4%
Outsourcing.....	59.8	19.8%	5.5%	53.8	20.3%	5.1%
Depreciation of property, plant and equipment.....	84.4	28.0%	7.7%	85.2	32.2%	8.0%
Others.....	8.1	2.7%	0.7%	8.1	3.0%	0.8%
Total.....	<u>Ps. 301.3</u>	<u>100.0%</u>	<u>27.6%</u>	<u>Ps. 264.7</u>	<u>100.0%</u>	<u>25.0%</u>

### ***Selling expenses***

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

Selling expenses increased 17.6% to Ps. 90.3 million in the first half of 2010 from Ps. 76.8 million in the first half of 2009, primarily as a result of:

- a Ps. 6.3 million increase in salaries and social security taxes due to salary increases; and
- a Ps. 3.4 million increase in outsourcing due to increases in contractors' prices.

In terms of percentage net sales, selling expenses increased from 7.2% in the first half of 2009 to 8.3% in the first half of 2010.

The following are the principal components of our selling expenses for the periods indicated:

	Six-month period ended June 30,							
	2010		% on 2010 net sales		2009		% on 2009 net sales	
(in millions of Pesos)								
Salaries and social security taxes .	Ps.	29.9	33.1%	2.7%	Ps.	23.7	30.8%	2.2%
Allowance for doubtful accounts .		10.6	11.7%	1.0%		10.7	14.0%	1.0%
Outsourcing.....		22.6	25.0%	2.1%		19.1	24.9%	1.8%
Taxes and charges .....		10.2	11.3%	0.9%		9.4	12.2%	0.9%
Others.....		17.0	18.8%	1.6%		13.9	18.1%	1.3%
<b>Total .....</b>	<b>Ps.</b>	<b>90.3</b>	<b>100.0%</b>	<b>8.3%</b>	<b>Ps.</b>	<b>76.8</b>	<b>100.0%</b>	<b>7.2%</b>

#### *Administrative expenses*

Our administrative expenses include expenses associated with accounting, payroll administration, personnel training, systems operations and maintenance.

Administrative expenses increased 25.7% to Ps. 80.8 million in the first half of 2010 from Ps. 64.2 million in the first half of 2009, primarily as a result of:

- a Ps. 6.5 million increase in salaries and social security taxes due to salary increases;
- a Ps. 3.5 million increase in our building lease contract and insurance expense due to the relocation of our headquarters; and
- a Ps. 2.7 million increase in computer services due to the implementation of Customer Care and Billing (CC&B), our new billing system.

In terms of percentage of net sales, administrative expenses increased from 6.1% in the first half of 2009 to 7.4% in the first half of 2010.

The following are the principal components of our administrative expenses for the periods indicated:

	Six-month period ended June 30,							
	2010		% on 2010 net sales		2009		% on 2009 net sales	
(in millions of Pesos)								
Salaries and social security taxes ....	Ps.	33.0	40.9%	3.0%	Ps.	26.6	41.4%	2.5%
Computer services.....		13.3	16.5%	1.2%		10.6	16.5%	1.0%
Outsourcing.....		6.7	8.3%	0.6%		6.3	9.8%	0.6%
Advertising expenses .....		8.0	10.0%	0.7%		8.1	12.5%	0.8%
Others.....		19.7	24.3%	1.8%		12.7	19.8%	1.2%
<b>Total .....</b>	<b>Ps.</b>	<b>80.8</b>	<b>100.0%</b>	<b>7.4%</b>	<b>Ps.</b>	<b>64.2</b>	<b>100.0%</b>	<b>6.1%</b>

### ***Financial income (expenses) and holding gains (losses)***

Financial income and holding gains generated by assets resulted in a gain of Ps. 6.5 million in the first half of 2010 compared to a gain of Ps. 50.1 million in the first half of 2009. This negative variation of Ps. 43.6 million was primarily due to holding results related to the mark to market of the discretionary trust we liquidated in the second half of 2009. See “Liquidity and Capital Resources—Debt—Discretionary Trust Agreement.”

Financial expenses generated by liabilities which include financial interest, exchange results and other expenses, amounted to Ps. 82.4 million in the first half of 2010 compared to Ps. 146.6 million in the first half of 2009. The Ps. 64.2 million decrease in expenses is primarily the result of a decrease of Ps. 61.0 million in exchange losses (Ps. 24.5 million exchange losses in the first quarter of 2010 compared to Ps. 85.4 million exchange losses in the first quarter of 2009) due to a reduction in our U.S. Dollar-denominated debt, and a Ps. 5.0 million decrease in interest expense, due to a more favorable financial structure. At June 30, 2010, the outstanding principal amount of our debt was Ps. 780.9 million (including U.S. \$176.6 million of Dollar-denominated debt), compared to Ps. 965.4 million (including U.S. \$216.8 million of Dollar-denominated debt) at June 30, 2009.

### ***Adjustment to present value of notes***

We recorded a loss of Ps. 1.5 million in the first half of 2010 compared to a loss of Ps. 4.8 million in the first half of 2009 related to the non-cash adjustment to present value of our notes.

This positive impact is primarily due to a reduction in the principal amount outstanding of our Fixed Rate Par Notes due 2016 during 2009 as a result of the repurchases we made that year.

### ***Adjustment to present value of the retroactive tariff increase arising from the application of the new electricity rate schedule and of the Payment Plan Agreement with the Province of Buenos Aires***

The retroactive portion of the February 2007 tariff increase, which amounts in aggregate to Ps. 218.6 million, is being invoiced in 55 consecutive monthly installments to our non-residential customers, starting in February 2007. As of June 30, 2010, Ps. 173.4 million of the retroactive tariff adjustment has been invoiced to our non-residential customers.

In addition, in October 2006, we entered into a payment plan agreement with the Province of Buenos Aires with respect to amounts owed to us by the Province of Buenos Aires under the 2006 framework agreement. The amounts due under the payment plan agreement are being invoiced in 18 installments, starting in January 2007.

In accordance with Argentine GAAP, we account for these long term financing plans at their net present value, applying a 10.5% discount rate for the retroactive tariff increase, recording the resulting non-cash charge as an adjustment to present value of these receivables. We recorded a total non-cash gain of Ps. 9.4 million in the six-month period ended June 30, 2010 as adjustment to present value of these receivables, compared to non-cash loss of Ps. 10.7 million in the same period of 2009.

### ***Gain from repurchase of notes***

During the six-month period ended June 30, 2010 we did not repurchase any debt whereas in the same period of 2009, we repurchased at market prices U.S. \$30.2 million principal amount of Fixed Rate Par Notes due 2016 and U.S. \$15.7 million principal amount of Senior Notes due 2017 in various transactions generating a net gain of Ps. 77.0 million.

### ***Other (expenses) income, net***

Other income (expenses), net, includes mainly voluntary retirements, severance payments, net revenues or expenses from technical transportation services between electricity distribution companies and accrual for litigations.

We recorded a loss of Ps. 8.2 million in the first half of 2010 compared to a gain of Ps. 34.4 million in the first half of 2009.

This decrease of Ps. 42.7 million is mainly due to:

- the recovery of the allowance for doubtful accounts (Ps. 21.2 million) recorded in the second quarter of 2009, resulting from the approval of the New Framework Agreement Addendum signed between the Company, the Argentine Federal Government and the Province of Buenos Aires, and
- the recovery of the allowance for tax contingencies (Ps. 23.4 million) recorded in the second quarter of 2009, due to the Company's registration in the tax regularization plan established in Law n°26.476.

#### ***Income tax***

We recorded an income tax charge of Ps. 17.4 million in the first half of 2010 compared to a charge of Ps. 57.8 million in the first half of 2009. This decrease results from a decrease in our taxable income.

#### ***Net (loss) income***

We recorded net loss of Ps. 1.3 million in the first half of 2010 compared to net income of Ps. 77.0 million in the first half of 2009, this decrease was mainly due to:

- the increases in administrative, transmission, distribution and selling expenses, explained above;
- the decrease in financial results generated by debt repurchases during 2009; and
- the decrease in other income, due to the recovery of the allowance for doubtful accounts and the recovery of the allowance for tax contingencies during the first half of 2009.

These effects were partially offset by the increase in net sales in the first half of 2010.

#### **Year ended December 31, 2009 compared with year ended December 31, 2008.**

#### ***Net sales***

Net sales increased Ps. 77.7 million (3.9%) to Ps. 2,077.9 million in the year ended December 31, 2009 from Ps. 2,000.2 million in the year ended December 31, 2008. Net energy sales represented approximately 98.0% of our net sales in 2009 and 98.3% in 2008; late payment charges, pole leases, and connection and reconnection charges represented the remaining balance. Energy sales increased by 4.7% (Ps. 93.5 million) to Ps. 2,094.3 million in the year ended December 31, 2009 from Ps. 2,000.8 million in the year ended December 31, 2008.

This increase in net sales was mainly due to:

- an increase in the average energy purchase price that, since October 2008 we have passed on to certain of our customers, due to the tariff schedule set by ENRE's Resolution 628/08 (from June 2009 to August 2009, this increase was partially subsidized by the Argentine Government);
- a 1.6% increase in capacity demand;
- a 2.7% increase in the number of T1R and T1G customers, which are billed for a fixed charge payable bimonthly; and
- a Ps. 7.8 million increase in late payment charges, pole leases, and connection and reconnection charges.

These increases were partially offset by:

- a 2.1% decrease in the volume of energy sold in 2009, compared to the volume of energy sold in 2008 (from 18,616 GWh in the year ended December 31, 2008 to 18,220 GWh in the year ended December 31, 2009); and
- an increase in ENRE penalties of Ps. 23.7 million, due to an increase in the underlying cost of energy inputs upon which the fines and penalties are calculated.

### *Electric power purchases*

The amount of electric power purchases increased 7.4% to Ps. 1,003.4 million for the year ended December 31, 2009 from Ps. 934.7 million in the year ended December 31, 2008, mainly due to an energy purchase price increase that we have passed through to certain of our customers (T1R with bimonthly consumption levels over 1,000 Kwh, T1G and T3 with capacity demand over 300 KW) since October 2008, in accordance with ENRE's Resolution 628/08 .

The volume of energy purchased in the year ended December 31, 2009 was 17,040 GWh, which was 0.8% lower when compared to the year ended December 31, 2008, when we purchased 17,169 GWh (in both cases excluding wheeling system demand).

Energy losses increased to 11.9% in the year ended December 31, 2009 from 10.8% in the year ended December 31, 2008. See “—Factors affecting our results of operation—Recognition of cost of energy losses.”

### *Gross margin*

Our gross margin increased 0.8% to Ps. 1,074.5 million in the year ended December 31, 2009 from Ps. 1,065.5 million in the year ended December 31, 2008.

### *Transmission and distribution expenses*

Transmission and distribution expenses increased 10.2% to Ps. 548.6 million in the year ended December 31, 2009 from Ps. 497.9 million in the year ended December 31, 2008, mainly due to a Ps. 44.1 million increase in salaries and social security taxes, attributable to an increase in employee compensation granted in 2009, and a Ps. 16.1 million increase in outsourcing, mainly attributable to increases in contractor prices. These increases were partially offset by a decrease of Ps. 15.4 million in technical assistance fees in 2009, due to the termination of the Technical Assistance Agreement with EDF.

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

	<b>Year ended December 31,</b>							
	<b>2009</b>		<b>% on 2009 net sales</b>		<b>2008</b>		<b>% on 2008 net sales</b>	
(in millions of Pesos)								
Salaries and social security taxes.	Ps. 219.8	40.1%	10.6%	Ps. 175.7	35.3%	8.8%		
Supplies Consumption .....	34.3	6.3%	1.7%	31.9	6.4%	1.6%		
Outsourcing.....	110.2	20.0%	5.3%	94.1	18.9%	4.7%		
Depreciation of property, plant and equipment.....	166.8	30.4%	8.0%	166.0	33.3%	8.3%		
Others.....	17.4	3.2%	0.8%	30.2	6.1%	1.5%		
<b>Total .....</b>	<b>Ps. 548.6</b>	<b>100.0%</b>	<b>26.4%</b>	<b>Ps. 497.9</b>	<b>100.0%</b>	<b>24.9%</b>		

### *Selling expenses*

Our selling expenses are related to customer services provided at our commercial offices, billing, invoice mailing, collection and collection procedures, as well as allowances for doubtful accounts. Selling expenses increased 26.1% to Ps. 159.0 million in the year ended December 31, 2009 from Ps. 126.0 million in the year ended December 31, 2008, primarily as a result of a Ps. 16.1 million increase in salaries and social security taxes, an increase of Ps. 5.4 million in outsourcing attributable to price increases in our outsourcing services contracts, an increase of Ps. 3.2 million in taxes and charges due to the increase in municipal taxes and the ENRE contributions and a Ps. 3.3 million increase in our allowance for doubtful accounts.

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

	Year ended December 31,							
	2009		% on 2009 net sales		2008		% on 2008 net sales	
(in millions of Pesos)								
Salaries and social security taxes .	Ps.	51.6	32.5%	2.5%	Ps.	35.5	28.2%	1.8%
Allowance for doubtful accounts .		18.6	11.7%	0.9%		15.3	12.1%	0.8%
Outsourcing.....		40.1	25.2%	1.9%		34.7	27.5%	1.7%
Taxes and charges .....		17.9	11.3%	0.9%		14.7	11.7%	0.7%
Others.....		30.8	19.3%	1.4%		25.9	20.5%	1.3%
<b>Total .....</b>	<b>Ps.</b>	<b>159.0</b>	<b>100.0%</b>	<b>7.6%</b>	<b>Ps.</b>	<b>126.0</b>	<b>100.0%</b>	<b>6.3%</b>

### *Administrative expenses*

Our administrative expenses include, among others, expenses associated with accounting, payroll administration, personnel training, systems operation, maintenance and advertising expenses. Administrative expenses increased 27.3% to Ps. 176.6 million in the year ended December 31, 2009 from Ps. 138.7 million in the year ended December 31, 2008, primarily as a result of a Ps. 12.5 million increase in salaries and social security taxes (attributable to an increase in compensations granted in 2009), a Ps. 5.9 million increase in computer services due to a renewal of certain of our hardware and software licenses and a Ps. 5.5 million increase in tax on financial transactions due to the repurchase of our financial debt and the issuance of Class 8 Notes due 2013.

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

	Year ended December 31,							
	2009		% on 2009 net sales		2008		% on 2008 net sales	
(in millions of Pesos)								
Salaries and social security taxes ....	Ps.	58.9	33.4%	2.8%	Ps.	46.5	33.5%	2.3%
Computer services.....		22.8	12.9%	1.1%		16.9	12.2%	0.8%
Outsourcing.....		15.1	8.5%	0.7%		11.4	8.2%	0.6%
Tax on financial transactions .....		32.5	18.4%	1.6%		27.0	19.5%	1.3%
Advertising expenses .....		16.8	9.5%	0.8%		12.8	9.2%	0.6%
Others.....		30.5	17.3%	1.5%		24.1	17.4%	1.3%
<b>Total .....</b>	<b>Ps.</b>	<b>176.6</b>	<b>100.0%</b>	<b>8.5%</b>	<b>Ps.</b>	<b>138.7</b>	<b>100.0%</b>	<b>6.9%</b>



### ***Financial income (expense) and holding gains (losses)***

Financial income and holding gains generated by assets were Ps. 75.2 million in the year ended December 31, 2009, compared to Ps. 10.6 million in the year ended December 31, 2008. This increase of Ps. 64.6 million is primarily due to:

- a Ps. 44.8 million increase in holding gains resulting from the repurchases of our 2017 and 2016 Notes (including the Par Notes due 2017 we received upon the liquidation of the discretionary trust; see “—Liquidity and Capital Resources—Debt—Discretionary Trust Agreement”); and
- a Ps. 13.1 million increase in the exchange gains on Dollar-denominated assets due to an increase of the Peso-Dollar exchange rate.

Financial expenses generated by liabilities which include financial interest, exchange results and other expenses, were in line with the previous year, at Ps. 198.5 million in the year ended December 31, 2009 compared to Ps. 197.9 million in the year ended December 31, 2008.

### ***Adjustment to present value of notes***

We record our financial debt on our balance sheet at the fair value reflecting our management’s best estimate of the amounts expected to be paid at each year end. The fair value is determined as the present value of the future cash flows to be paid (including payment of interest) under the terms of the debt discounted at a rate commensurate with the risk of the debt instrument and time value of money. The adjustment to present value of the future cash flows of our outstanding debt issued applying a market annual interest rate of 10.5%, generated an accounting loss of Ps. 8.5 million in the year ended December 31, 2008 and an accounting non-cash loss of Ps. 5.2 million in the year ended December 31, 2009.

### ***Adjustment to present value of the retroactive tariff increase arising from the application of the new electricity rate schedule and of the Payment Plan Agreement with the Province of Buenos Aires***

The retroactive portion of the February 2007 tariff increase, which amounts in aggregate to Ps. 218.6 million, is being invoiced in 55 consecutive monthly installments to our non-residential customers, starting in February 2007. As of December 31, 2009, Ps. 149.4 million of the retroactive tariff adjustment has been invoiced to our non-residential customers.

In addition, in October 2006, we entered into a payment plan agreement with the Province of Buenos Aires with respect to amounts owed to us by the Province of Buenos Aires under the 2006 framework agreement. The amounts due under the payment plan agreement are being invoiced in 18 installments, starting in January 2007. As of December 31, 2009, the Province of Buenos Aires owed us Ps. 2.3 million.

In accordance with Argentine GAAP, we account for these long term financing plans at their net present value, which we calculate at a discount rate of 10.5% for the retroactive tariff increase and 19.62% for the payment plan agreement, recording the resulting non-cash charge as an adjustment to present value of these two receivables. We recorded a total non-cash loss of Ps. 3.4 million in the year ended December 31, 2009 as adjustment to present value of these receivables, compared to a loss of Ps. 13.5 million in the year ended December 31, 2008.

### ***Gain from repurchase of notes***

During 2009 we repurchased at market prices U.S. \$32.2 million principal amount of our outstanding Fixed Rate Par Notes due 2016 and U.S. \$53.8 million principal amount of our outstanding Fixed Rate Par Notes due 2017. This transaction generated a net gain of Ps. 81.5 million.

### ***Other income (expenses), net***

Other income (expenses), net, includes mainly voluntary retirements, severance payments and accrual for lawsuits. We recorded a gain of Ps. 23.3 million in the year ended December 31, 2009, compared to a loss of

Ps. 29.8 million in the year ended December 31, 2008. The gain in 2009 was mainly comprised of the recovery of the allowance for doubtful accounts (Ps. 21.2 million) resulting from the approval of the New Framework Agreement Addendum that we entered into with the Argentine government and the Province of Buenos Aires, and the recovery of the allowance for tax contingencies (Ps. 23.4 million) due to our registration in the tax regularization plan established in Law n°26.476, partially offset by an increase in provisions for accrued litigation (Ps. 15.5 million), voluntary retirements bonuses (Ps. 5.4 million) and severance paid (Ps. 4.4 million).

#### ***Income tax***

We recorded an income tax charge of Ps. 79.3 million in the year ended December 31, 2009, compared to a charge of Ps. 61.2 million in the year ended December 31, 2008.

#### ***Net income***

We recorded net income of Ps. 90.6 million in the year ended December 31, 2009, compared to net income of Ps. 123.1 million in the year ended December 31, 2008.

#### **Year ended December 31, 2008 compared with year ended December 31, 2007.**

#### ***Net sales***

Net sales increased Ps. 18.3 million (0.9%) to Ps. 2,000.2 million in the year ended December 31, 2008 from Ps. 1,981.9 million in the year ended December 31, 2007. Net energy sales represented approximately 98.3% of our net sales in 2008 and 2007; late payment charges, pole leases, and connection and reconnection charges represented the remaining balance. Energy sales increased by 1.4% (Ps. 28.1 million) to Ps. 2,000.8 million in the year ended December 31, 2008 from Ps. 1,972.7 million in the year ended December 31, 2007. This variation was significantly affected by the recognition of the retroactive portion of the February 2007 VAD increase (Ps. 218.6 million) during the first quarter of 2007. The increase is being invoiced in 55 equal and consecutive monthly installments, starting in February 2007. Excluding this adjustment, our energy sales in 2007 would have been Ps. 1,754.1 million, resulting in an increase in energy sales from 2007 to 2008 of 14.1% (Ps. 246.7 million) compared to the energy sales recorded in 2008. This increase in energy sales was mainly due to:

- the application of a 17.9% increase in our VAD since July 1, 2008 authorized by the ENRE pursuant to the CMM for the period from May 2007 to October 2007, which resulted in tariff increases of 0% to 30% for our customers, depending on their level of consumption;
- the retroactive application of the 17.9% VAD increase pursuant to the CMM, which represented a Ps. 84.6 million increase in our net sales in 2008;
- the energy purchase price increase passed on to some of our customers since October 2008; and
- a 4.2% increase in the volume of energy sold in 2008, compared to the volume of energy sold in 2007 (from 17,886 GWh in the year ended December 31, 2007 to 18,616 GWh in the year ended December 31, 2008). The increase in volume is attributable to a 2.3% increase in the average GWh consumption per customer and a 1.9% increase in the number of our customers in 2008.

#### ***Electric power purchases***

The amount of electric power purchases increased 5.0% to Ps. 934.7 million for the year ended December 31, 2008 from Ps. 889.9 million in the year ended December 31, 2007, mainly due to an energy purchase price increase applied to some of our customers (T1R with bimonthly consumption levels over 1,000 Kwh, T1G and T3 with capacity demand over 300 KW) since October 2008. This effect was slightly offset by the transition of a number of our industrial customers (for whom we purchase energy) to the wheeling system (where participants purchase energy directly).

The volume of energy purchased in the year ended December 31, 2008 was 17,169 GWh, which was in line with the year ended December 31, 2007, when we purchased 17,122 GWh (in both cases excluding wheeling system demand).

Energy losses decreased to 10.8% in the year ended December 31, 2008 from 11.6% in the year ended December 31, 2007.

### **Gross margin**

Our gross margin decreased 2.4% to Ps. 1,065.5 million in the year ended December 31, 2008 from Ps. 1,092.0 million in the year ended December 31, 2007. This decrease is mainly due to the recording of the retroactive portion of the February 2007 VAD, resulting in a positive impact of Ps. 218.6 million during 2007. Excluding this effect, our gross margin during that year would have been Ps. 873.4 million, and comparing this amount with the gross margin recorded in 2008, the increase in the gross margin would represent 22.0%. This increase is attributable to an increase in the volume of energy sold and to the application of the VAD increase and the CMM adjustment described above.

### **Transmission and distribution expenses**

Transmission and distribution expenses increased 19.2% to Ps. 497.9 million in the year ended December 31, 2008 from Ps. 417.6 million in the year ended December 31, 2007, mainly due to a Ps. 49.9 million increase in salaries and social security taxes, attributable to an increase in compensation in the second half of the year, a Ps. 19.9 million increase in outsourcing, mainly attributable to greater activity by our contractors, and to a Ps. 9.0 million increase in the consumption of materials associated with preventive maintenance due to an increase in material prices and an increase in maintenance activity.

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

	Year ended December 31,						% on 2007 net sales (excluding unbilled retroactive adjustment) <sup>(1)</sup>
	2008		% on 2008 net sales	2007			
	(in millions of Pesos)						
Salaries and social security taxes.	Ps. 175.7	35.3%	8.8%	Ps. 125.8	30.1%	7.1%	
Supplies.....	31.9	6.4%	1.6%	22.9	5.5%	1.3%	
Outsourcing.....	94.1	18.9%	4.7%	74.2	17.8%	4.2%	
Depreciation of property, plant and equipment.....	166.0	33.3%	8.3%	169.5	40.6%	9.6%	
Others.....	30.2	6.1%	1.5%	25.2	6.0%	1.5%	
<b>Total .....</b>	<b>Ps. 497.9</b>	<b>100.0%</b>	<b>24.9%</b>	<b>Ps. 417.6</b>	<b>100.0%</b>	<b>23.7%</b>	

(1) Calculated based on net sales as of December 31, 2007 excluding the retroactive portion of the February 2007 VAD increase (Ps. 218.6 million), which results in net sales of Ps. 1,763.3 million. The retroactive tariff increase is being invoiced in 55 equal and consecutive monthly installments, starting on February 2007. As of December 31, 2008, we had billed Ps. 99.7 million.

### **Selling expenses**

Our selling expenses are related to customer services provided at our commercial offices, billing, invoice mailing, collection and collection procedures, as well as allowances for doubtful accounts. Selling expenses increased 4.5% to Ps. 126.0 million in the year ended December 31, 2008 from Ps. 120.6 million in the year ended December 31, 2007, primarily as a result of a Ps. 10.1 million increase in salaries and social security taxes, an increase of Ps. 5.3 million in outsourcing attributable to price increases in our outsourcing services contracts and an

increase of Ps. 3.6 million in taxes and charges due to the increase in municipal and the ENRE contributions. These increases were partially offset by a decrease of Ps. 15.4 million in our allowance for doubtful accounts attributable to the recovery of the allowance resulting from the supply of electricity to shantytowns that are covered by the new framework agreement, signed in June 2008.

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

	Year ended December 31,						% on 2007 net sales (excluding unbilled retroactive adjustment) <sup>(1)</sup>
	2008		% on 2008 net sales	2007			
	(in millions of Pesos)						
Salaries and social security taxes .	Ps. 35.5	28.2%	1.8%	Ps. 25.4	21.0%	1.4%	
Allowance for doubtful accounts .	15.3	12.1%	0.8%	30.7	25.5%	1.7%	
Outsourcing.....	34.7	27.5%	1.7%	29.4	24.4%	1.7%	
Taxes and charges .....	14.7	11.7%	0.7%	11.1	9.2%	0.6%	
Others.....	25.9	20.5%	1.3%	24.0	19.9%	1.4%	
<b>Total .....</b>	<b>Ps. 126.0</b>	<b>100.0%</b>	<b>6.3%</b>	<b>Ps. 120.6</b>	<b>100.0%</b>	<b>6.8%</b>	

(1) Calculated based on net sales as of December 31, 2007 excluding the retroactive portion of the February 2007 VAD increase (Ps. 218.6 million) , which results in net sales of Ps. 1,763.3 million. The retroactive tariff increase is being invoiced in 55 equal and consecutive monthly installments, starting on February 2007. As of December 31, 2008, we had billed Ps. 99.7 million.

### ***Administrative expenses***

Our administrative expenses include, among others, expenses associated with accounting, payroll administration, personnel training, systems operation, maintenance and advertising expenses. Administrative expenses increased 11.2% to Ps. 138.7 million in the year ended December 31, 2008 from Ps. 124.7 million in the year ended December 31, 2007, primarily as a result of a Ps. 9.9 million increase in salaries and social security taxes (attributable to an increase in compensation in the second half of the year) and a Ps. 5.5 million increase in computer services due to a renovation of the hardware and software. These increases were partially offset by a decrease of Ps. 4.5 million in taxes on financial transactions and a Ps. 2.5 million decrease in advertising expenses (including institutional relations, radio advertising and community service programs).

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

	Year ended December 31,						% on 2007 net sales (excluding unbilled retroactive adjustment) <sup>(1)</sup>
	2008		% on 2008 net sales	2007			
	(in millions of Pesos)						
Salaries and social security taxes	Ps. 46.5	33.5%	2.3%	Ps. 36.5	29.3%	2.1%	
Computer services	16.9	12.2%	0.8%	11.4	9.2%	0.6%	
Outsourcing	11.4	8.2%	0.6%	10.9	8.7%	0.6%	
Tax on financial transactions	27.0	19.5%	1.3%	31.5	25.3%	1.8%	
Advertising expenses	12.8	9.2%	0.6%	15.4	12.3%	0.9%	
Others	24.2	17.4%	1.3%	19.0	15.2%	1.1%	
<b>Total</b>	<b>Ps. 138.7</b>	<b>100.0%</b>	<b>6.9%</b>	<b>Ps. 124.7</b>	<b>100.0%</b>	<b>7.1%</b>	

(1) Calculated based on net sales as of December 31, 2007 excluding the retroactive portion of the February 2007 VAD increase (Ps. 218.6 million), which results in net sales of Ps. 1,763.3 million. The retroactive tariff increase is being invoiced in 55 equal and consecutive monthly installments, starting on February 2007. As of December 31, 2008, we had billed Ps. 99.7 million.

#### ***Financial income (expenses) and holding gains (losses)***

Financial income and holding gains generated by assets represented Ps. 10.6 million in the year ended December 31, 2008, compared to Ps. 12.7 million in the year ended December 31, 2007. This decrease of Ps. 2.1 million is primarily due to a decrease of Ps. 3.6 million in interest gained.

Financial expenses generated by liabilities which include financial interest, exchange results and other expenses, were Ps. 197.9 million in the year ended December 31, 2008 compared to Ps. 125.5 million in the year ended December 31, 2007. This Ps. 72.4 million increase is primarily the result of:

- a Ps. 20.8 million increase in interest expenses, mainly resulting from an increase in the interest rates on our debt in 2008 (an average of 9.1%) as compared to 2007 (an average of 4.9%) due to the issuance of our Par Notes due 2017 in October 2007 at a 10.5% interest rate; and
- a Ps. 62.8 million increase in exchange losses (Ps. 92.7 million in the year ended December 31, 2008, compared to the Ps. 29.9 million in the year ended December 31, 2007), due to a 9.6% variation in the exchange rate of Argentine Pesos for U.S. Dollars.

These increases were partially offset by a decrease in financial expenses of Ps. 11.1 million in 2008, as compared to 2007.

#### ***Adjustment to present value of notes***

We record our financial debt on our balance sheet at the fair value reflecting our management's best estimate of the amounts expected to be paid at each year end. The fair value is determined as the present value of the future cash flows to be paid (including payment of interest) under the terms of the debt discounted at a rate commensurate with the risk of the debt instrument and time value of money. In 2006, we restructured all of our outstanding debt after receiving approval from holders of 100% of our defaulted debt. We did not record any adjustment to present value before 2006 because our financial debt was in default. The adjustment to present value of the future cash flows of the debt issued in the restructuring, using a market annual interest rate of 10.5%, generated an accounting loss of Ps. 21.5 million in the year ended December 31, 2007 and an accounting loss of Ps. 8.5 million in the year ended December 31, 2008 related to the non-cash adjustment to present value of payments due on our debt instruments issued in April 2006.

***Adjustment to present value of the retroactive tariff increase arising from the application of the new electricity rate schedule and of the Payment Plan Agreement with the Province of Buenos Aires***

The retroactive portion of the February 2007 tariff increase, which amounts in aggregate to Ps. 218.6 million, is being invoiced in 55 consecutive monthly installments to our non-residential customers, starting in February 2007. As of December 31, 2008, Ps. 99.7 million of the retroactive tariff adjustment has been invoiced to our non-residential customers.

In addition, in October 2006, we entered into a payment plan agreement with the Province of Buenos Aires with respect to amounts owed to us by the Province of Buenos Aires under the 2006 framework agreement. The amounts due under the payment plan agreement are being invoiced in 18 installments, starting in January 2007. As of December 31, 2008, the Province of Buenos Aires owed us Ps. 2.3 million.

In accordance with Argentine GAAP, we account for these long term financing plans at their net present value, which we calculate at a discount rate of 10.5%, recording the resulting non-cash charge as an adjustment to present value of these two receivables. We recorded a total non-cash charge of Ps. 13.5 million in the year ended December 31, 2008 as adjustment to present value of these receivables, compared to a loss of Ps. 29.6 million in the year ended December 31, 2007.

***Gain from repurchase of notes***

In several transactions in 2007, we repurchased U.S. \$43.7 million principal amount of our outstanding Fixed Rate Par Notes due 2016. In addition, we repurchased and redeemed U.S. \$240.0 million principal amount of our outstanding Discount Notes due 2014. These transactions generated a net loss of Ps. 18.8 million.

During 2008 the Company repurchased at market prices U.S. \$32.5 million principal amount of our outstanding Fixed Rate Par Notes due 2016 and U.S. \$17.5 million principal amount of our outstanding Fixed Rate Par Notes due 2017. When compared to the fixtures of 2007, this transaction generated a net gain of Ps. 93.5 million.

***Other (expenses) income, net***

Other income (expenses), net, includes mainly voluntary retirements, severance payments and accrual for lawsuits. We recorded a loss of Ps. 29.8 million in the year ended December 31, 2008, compared to a gain of Ps. 1.0 million in the year ended December 31, 2007, mainly comprised of voluntary retirements (Ps. 31.3 million) due to an employee reduction in July 2008 and accrued litigations (Ps. 19.9 million), which were partially offset (Ps. 14.1 million) by the recovery of the allowance for doubtful accounts due to the fact that a new framework agreement had been signed in June 2008.

***Income tax***

We recorded an income tax charge of Ps. 61.2 million in the year ended December 31, 2008, compared to a charge of Ps. 125.0 million in the year ended December 31, 2007.

***Net income***

We recorded net income of Ps. 123.1 million in the year ended December 31, 2008, compared to net income of Ps. 122.5 million in the year ended December 31, 2007. The 2008 income is in line with the net income of 2007. However, in 2007 we registered a gain from the recording of the retroactive tariff increase described above, which resulted in a positive impact of Ps. 218.6 million for 2007. This increase in net income from 2007 to 2008 was a result of a positive net operating income, which was partially offset by an increase in financial results and exchange rates effects. Losses due to exchange rate effects were in turn partially compensated for by the gain resulting from the debt repurchases.

## Liquidity and capital resources

### Sources and uses of funds

Historically, our sources of liquidity have been cash flow from operations and long-term borrowings. However, our ability to access the capital and bank loan markets was effectively eliminated as a result of the economic crisis in Argentina and our resulting default on our then-outstanding financial debt, as well as the Argentine government's imposition of transfer restrictions on payments of foreign financial obligations. We have recovered the ability to incur new financial debt with the closing of our financial debt restructuring in April 2006. See "Management's Discussion and Analysis of Financial Conditions and Results of Operation—Liquidity and Capital Resources—Debt."

We expect to make capital expenditures amounting to approximately U.S. \$100 million on average per year over the next five years. Our principal uses of cash are expected to be capital expenditures and our financial debt service obligations. We expect that our principal source of liquidity will be cash flow from operations and, to a lesser extent, short-term and long-term borrowings, which we expect will be sufficient to meet our capital requirements in the near future. In particular, we may need to incur indebtedness in the long-term to refinance a portion of our outstanding debt as it becomes due. However, we are subject to limitations on our ability to incur new debt and to use our excess cash under the terms of our restructured debt instruments and our Senior Notes due 2017. See "Management's Discussion and Analysis of Financial Conditions and Results of Operation—Liquidity and Capital Resources—Debt."

As of December 31, 2009 and June 30, 2010, our cash and cash equivalents amounted to Ps. 228.4 million and Ps. 297.9 million, respectively. We generally invest our cash in a range of instruments, including sovereign debt, corporate debt securities and other securities. The table below reflects our cash position at the dates indicated and the net cash provided by (used in) operating, investing and financing activities during the periods indicated:

	Six-month period ended		Year ended December 31,		
	June 30,		2009	2008	2007
	2010	2009	2009	2008	2007
	(in millions of Pesos)				
Cash and cash equivalents at the beginning of the year.....	Ps. 228.4	Ps. 126.4	Ps. 126.4	Ps. 101.2	Ps. 32.7
Net cash provided by operating activities .....	295.1	274.0	668.0	547.5	427.2
<i>Of which:</i>					
Financial interest paid, net of interest capitalized .....	(31.0)	(35.9)	(76.8)	(62.7)	(25.5)
Net cash used in investing activities .....	(193.1)	(186.4)	(404.2)	(325.4)	(336.9)
Net cash (used in) generated by financing activities .....	(32.5)	18.6	(161.8)	(197.0)	(21.8)
Cash and cash equivalents at the end of the period/year.....	<u>Ps. 297.9</u>	<u>Ps. 232.6</u>	<u>Ps. 228.4</u>	<u>Ps. 126.4</u>	<u>Ps. 101.2</u>

### Net cash provided by operating activities

Net cash provided by operating activities increased by 7.7% to Ps. 295.1 million in the six-month period ended June 30, 2010, compared to Ps. 274.0 million in the same period of 2009. This increase is attributable to:

- positive adjustments to net income for non-cash charges in the six-month period ended June 30, 2010, including Ps. 89.0 million for depreciation of property, plant and equipment and Ps. 57.2 million in exchange difference, interest and penalties on loans, and Ps. 17.4 million for income taxes, and
- this increase was offset in part by a Ps. 9.4 million decrease in the adjustment to present value of the retroactive tariff increase arising from the application of the new electricity tariff schedule and other receivables. It also was affected by positive variations in assets and liabilities including an increase of

Ps. 135.7 million in funds collected through the PUREE funds, an increase of Ps. 22.1 million in other liabilities, a Ps. 17.6 million increase in trade accounts payable and a decrease of Ps. 34.8 million in trade receivables and other receivables.

Net cash provided by operating activities increased by 22.0% to Ps. 668.0 million in the year ended December 31, 2009, compared to Ps. 547.5 million in the year ended December 31, 2008. This increase is attributable to:

- positive adjustments to net income for non-cash charges in the year ended December 31, 2009, including Ps. 178.6 million in exchange difference, interest and penalties on loans, Ps. 175.4 million for depreciation of property, plant and equipment and Ps. 79.3 million for income taxes, which were partially offset by negative adjustments of Ps. 81.5 million in gains from the repurchase of notes, Ps. 35.6 million in the recovery of the accrual for tax contingencies and Ps. 27.0 million in the reversal of the allowance for doubtful accounts, and
- a positive change in assets and liabilities of Ps. 239.1 million increase in other liabilities, a Ps. 48.1 million decrease in trade receivables, and Ps. 27.2 million increase in salaries and social securities taxes. These increases were partially offset by a decrease of Ps. 56.9 million in taxes.

Net cash provided by operating activities increased by 28.2% to Ps. 547.5 million in the year ended December 31, 2008, compared to Ps. 427.2 million in the year ended December 31, 2007. This increase is attributable to positive adjustments to net income for non-cash charges in the year ended December 31, 2008, including Ps. 232.7 million in exchange differences and interest on loans, Ps. 170.3 million for depreciation of property, plant and equipment, Ps. 61.2 million for income taxes, and Ps. 8.5 million for adjustment to present value of notes, among others, which were added to a positive change in assets and liabilities of Ps. 122.2 million in the year ended December 31, 2008. This positive change in operating assets and liabilities is primarily due to a Ps. 49.5 million increase in trade receivables, an increase of Ps. 93.2 million in other liabilities and accrued litigation and, an increase of Ps. 50.3 million in salaries and social security taxes, and to a lesser extent, a decrease of Ps. 7.4 million in supplies, a Ps. 26.4 million increase in taxes and a Ps. 27.8 million increase in trade accounts payable. These increases were partially offset by an increase of Ps. 33.4 million in other receivables.

#### ***Net cash used in investing activities***

Net cash used in investing activities increased 3.6% to Ps. 193.1 million for the six-month period ended June 30, 2010 from Ps. 186.4 million for the same period of 2009.

Net cash used in investing activities increased 24.2% to Ps. 404.2 million for the year ended December 31, 2009 from Ps. 325.4 million for the year ended December 31, 2008. Over 85% of the total investments were made in supplies (Ps. 280.8 million) and network maintenance and improvements (Ps. 67.2 million).

Net cash used in investing activities decreased by 3.4% to Ps. 325.4 million for the year ended December 31, 2008 from Ps. 336.9 million for the year ended December 31, 2007. No significant changes were registered in investing activities. In 2008, the principal investments were made in supplies, as in 2007, and in 2008 less investment was directed toward network maintenance and improvements than in 2007.

The changes in net cash used in investing activities in each of these periods were primarily due to variations in our capital expenditures in accordance with the investment plan initially contemplated by the Adjustment Agreement. See “Business—Liquidity and Capital Resources—Capital expenditures.”

#### ***Net cash used in financing activities***

In the six-month period ended June 30, 2010, we used Ps. 32.5 million to pay a portion of the principal of our Peso-denominated loan with *Banco Nación*, a portion of the principal amount of our Par Notes due 2013, and to make advance payments on certain outstanding revolving credit lines. In the six-month period ended June 30, 2009, we used Ps. 75.7 million to repurchase Senior Notes due 2017 and Fixed Rate Par Notes due 2016.



In the year ended December 2009, we used Ps. 175.4 million to repurchase Senior Notes due 2017 and Fixed Rate Par Notes due 2016.

In the year ended December 2008, we used Ps. 122.9 million to repurchase Senior Notes due 2017 and Fixed Rate Par Notes due 2016. In addition, part of our cash position was used to create our discretionary trust for a total amount of Ps. 67.9 million. See “Management’s Discussion and Analysis of Financial Conditions and Results of Operation—Liquidity and Capital Resources—Debt—Discretionary Trust Agreement.” We also used Ps. 6.1 million to repurchase shares at market prices at an average price of Ps. 0.65 per share.

On April 30, 2007, we completed a capital increase (in the form of an initial public offering in local and international markets) pursuant to which we received Ps. 181.8 million in cash contributions. In May 2007, we used a portion of the proceeds of the capital increase (Ps. 110.9 million) to repurchase part of our outstanding financial debt.

On October 9, 2007 we issued our U.S. \$220 million 10.5% Senior Notes due 2017. We used the proceeds from that offering to repurchase U.S. \$204.0 million aggregate principal amount of our Discount Notes due 2014, which were redeemed in full through several transactions during the period from October through December 2007. We used the balance of the proceeds from the October debt offering on capital expenditures and working capital purposes.

### ***Capital expenditures***

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

Prior to our privatization, a low level of capital expenditures and poor maintenance programs adversely affected the condition of our assets. After our privatization in 1992, we developed an aggressive capital expenditure plan to update the technology of our productive assets, renew our facilities and expand energy distribution services, automate the control of the distribution network and improve customer service. Following the crisis, however, the freeze of our distribution margins and the pesification of our tariffs and our inability to obtain financing, coupled with increasing energy losses, forced us to curtail our capital expenditure program and make only those investments that were necessary to permit us to comply with quality of service and safety and environmental requirements, despite increases in demand in recent years.

We are currently subject to limitations on the amount of non-mandatory capital expenditures we may make in a given year pursuant to the terms of our restructured debt instruments. Under these debt instruments, we may make the following amounts (or its equivalent in other currencies) of non-mandatory capital expenditures:

- U.S. \$90 million in each of 2010 and 2011,
- U.S. \$86 million in 2012,
- U.S. \$90 million in 2013,
- U.S. \$86 million in 2014,
- U.S. \$87 million in 2015, and
- U.S. \$90 million in 2016.

In addition, we may carry over unused amounts of permitted capital expenditures and use these amounts to make additional capital expenditures in future years, so long as these additional capital expenditures do not exceed the amount of permitted capital expenditures for the prior year. We are not subject to any limitations on the amount of capital expenditures we are required to make pursuant to our concession and applicable laws or regulations.

We believe that the limits on capital expenditures in the restructuring indenture currently exceed our anticipated expenditures during each specified period.

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

	Six-month period ended June 30,		Year ended December 31,		
	2010	2009	2009	2008	2007
	(in millions of Pesos)				
Supplies.....	Ps. 138.6	Ps. 142.7	Ps. 280.8	Ps. 235.6	Ps. 235.3
Network maintenance and improvements.....	31.4	26.8	67.2	57.6	70.0
Legal requirements <sup>(1)</sup> .....	3.8	5.9	15.8	12.2	12.3
Communications and telecontrol.....	3.9	6.0	13.7	8.7	7.0
Others.....	15.4	6.8	26.7	21.7	18.1
<b>Total.....</b>	<b>Ps. 193.1</b>	<b>Ps. 188.2</b>	<b>Ps. 404.3</b>	<b>Ps. 335.7</b>	<b>Ps. 342.7</b>

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

In 2009, in accordance with our capital expenditure program, we invested Ps. 404.3 million. In order to keep pace with the growth in our customer's base (our customer base increased 2.7% in 2009, despite a 2.1% decrease in energy sales by volume during that period) an important portion of our investments were designed to meet this increase and to improve our grid. In addition, we made investments in order to meet our quality standards levels and to maintain the level of past due receivables.

Our capital expenditure program for 2010 contemplates total expenditures of approximately U.S. \$100 million. As of June 30, 2010, we have incurred U.S. \$49.1 million in 2010 capital expenditures. We can give no assurance that our actual expenditures will not be lower or exceed our 2010 estimate.

### **Debt**

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

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

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

- U.S. \$123,773,586 Fixed Rate Par Notes due December 14, 2016 (of which U.S. \$8.0 million remains outstanding as of the date of this offering memorandum), with approximately 50% of the principal due and payable at maturity and the remainder due in semiannual installments commencing June 14, 2011, and bearing interest starting at 3% and stepping up to 10% over time;
- U.S. \$12,656,086 Floating Rate Par Notes due December 14, 2019 (of which U.S. \$12.7 million remains outstanding as of the date of this offering memorandum), with the same payment terms as the Fixed Rate Par Notes and bearing interest at LIBOR plus a spread, which starts at 1% in 2008 and steps up to 2% over time; and
- U.S. \$239,999,985 Discount Notes due December 14, 2014 (as of the date of this offering memorandum, none of our Discount Notes due 2014 were outstanding), with 60% of the principal due and payable at maturity and the remainder due in semiannual installments commencing on June 14, 2008, and bearing interest at a fixed rate that starts at 3% and steps up to 12% over time.

We are subject to a number of restrictive covenants under the terms of the restructuring notes, including the following:

- limitations on our ability to sell or pledge assets or make investments in third parties;
- limitations on our ability to incur new indebtedness;
- limitations on our ability to make capital expenditures;
- limitations on our ability to pay dividends;
- limitations on our ability to repurchase our common shares; and
- limitations on our ability to enter into transactions with shareholders and affiliates other than on an arm's length basis.

Upon a change of control (as defined in the indenture for the restructuring notes), each holder of the restructuring notes will have the right to require us to repurchase all or a portion of that holder's notes at par plus accrued and unpaid interest and additional amounts (as defined in the indenture), if any, pursuant to an offer made by us on terms set forth in the indenture.

In addition, the terms of the restructuring notes require us to apply our excess cash (as defined in the indenture for the restructuring notes) to specific uses, including prepayments or repurchases of the notes. The indenture for the restructuring notes defines excess cash for these purposes as our earnings before interest expenses, taxes, depreciation and amortization charges (EBITDA, as defined in the indenture for the restructuring notes) during a given six-month period, after adjustments to reflect negative or positive changes in our working capital and deductions for borrowings, scheduled debt payments, prepayments, redemptions or repurchases of our debt, capital expenditures, certain permitted investments, taxes and other cash expenses, in each case during the same six-month period. If we generate excess cash (as defined in the indenture) during any six-month period in which our leverage ratio (defined in the indenture as our total indebtedness over our 12-month EBITDA) is greater than 2.5, we will be required to use a portion of our excess cash to prepay or repurchase the restructuring notes. If our leverage ratio is:

- greater than 2.5, but not greater than 3.0, we must apply 50% of our excess cash to prepay or repurchase restructuring notes;
- greater than 3.0, but not greater than 3.5, we must apply 75% to prepay or repurchase restructuring notes, unless we commit to use 50% of the excess cash for capital expenditures, in which case we must apply the remaining 50% to prepay or repurchase restructuring notes, and
- greater than 3.5, we must apply all of our excess cash to prepay or repurchase restructuring notes.

We are entitled to use any excess cash not allocated to debt prepayments or repurchases as set forth above for any purpose at our discretion, including dividend payments. In addition, most of the restrictive covenants set forth in the restructuring indenture will be suspended or adjusted if we attain an international investment grade rating on our long-term debt or if our leverage ratio (as defined in the indenture) is equal or lower to 2.5.

We are currently in compliance with all of our financial debt covenants.

In October 2007, we completed an offering of U.S. \$220 million aggregate principal amount of our 10.5% Senior Notes due 2017, which we refer to as the Senior Notes. The terms of the Senior Notes are substantially similar to those of our restructuring notes, except that the Senior Notes are not subject to the covenants relating to mandatory prepayments with excess cash and limitation on capital expenditures. We used a substantial portion of the proceeds from that offering to redeem in full our Discount Notes due 2014 in several transactions throughout the period from October through December 2007.

During the year ended December 31, 2007, through various market transactions, we repurchased U.S. \$43.7 million of our outstanding Fixed Rate Par Notes due 2016 and repurchased and redeemed U.S. \$240 million Discount Notes due 2014.

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

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

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

During July 2010, we repurchased and cancelled U.S.\$7.3 million of our Fixed Rate Par Notes due 2016.

As of the date of this offering memorandum, we hold U.S. \$65.3 million principal amount of our Senior Notes due 2017. We intend to cancel these U.S. \$65.3 Senior Notes due 2017 along with any additional Senior Notes due 2017 that we acquire pursuant to the Concurrent Invitation. In addition, it should also be noted that the guarantee fund managed by ANSES holds U.S. \$39.9 million of our Senior Notes due 2017.

#### ***Line of credit – Banco Nación loans***

In order to optimize our management of working capital, in December 2008, as part of our line of credit with *Banco Nación*, we received a two-year loan for Ps. 50 million, with no principal payments due for the first six months followed by 18 consecutive monthly payments of amortized principal. We make monthly interest payments on accrued interest at a floating rate equal to BAIBOR, as published by the Argentine Central Bank, plus 5%.

The outstanding principal amount as of June 30, 2010 was Ps. 16.7 million.

#### ***Discretionary trust agreement***

In September 2008, we entered into a twenty-year irrevocable and discretionary trust agreement with Macro Bank Limited. Under the terms of the trust, in October 2008 we assigned to the trust, and the trust managed in accordance with the terms of the trust agreement, certain liquid assets, including cash, in an initial amount of up to U.S. \$23.9 million. On November 3 and 11, 2008, we carried out an additional assignment of liquid assets for U.S. \$2 million and U.S. \$1 million, respectively. The funds of the trust were used to repurchase U.S. \$21.7 million principal amount of Par Notes due 2016 and U.S. \$24.5 million principal amount of Senior Notes due 2017.

On September 3, 2009, we liquidated the discretionary trust and the U.S. \$24.5 million principal amount Senior Notes due 2017 held by the trust were transferred to us.

***Off-balance sheet arrangements***

We did not have any off-balance sheet arrangements as of the date of this offering memorandum.

***Qualitative and quantitative disclosure about market risk***

Market risk generally represents the risk that losses may occur in the value of financial instruments as a result of movements in interest rates, foreign currency exchange rates or commodity prices. We are exposed to changes in financial market conditions in the normal course of our business due to our use of certain financial instruments as well as transactions incurred in various foreign currencies.

As of June 30, 2010, we have no material exposure to interest rate risk because only approximately 17.4% of our outstanding financial debt bears interest at variable rates. In addition, we have no material exposure to commodity price risk because our commodities represent less than 1.7% of our operating expenses.

***Foreign currency risk***

We seek to hedge our exposure to exchange rate risk by maintaining cash and deposits in U.S. Dollars, although our cash and deposits in U.S. Dollars amounted to approximately U.S. \$59.2 million at June 30, 2010. In addition, approximately 10% of our operating expenses are denominated in U.S. Dollars. These costs are principally related to supplies, computer services, insurance and communications.

As of June 30, 2010, the potential loss to us that would result from a hypothetical 10% change in foreign currency exchange rates, after giving effect to the impact of the change on our asset and liabilities denominated in foreign currency as of June 30, 2010, would be approximately Ps. 50.1 million, primarily due to the increase in the principal amount of, and debt service payments on our foreign currency indebtedness described above. The effect of such change on our financial expenses is difficult to quantify given the adjustment mechanisms of the CMM and the integral tariff revision relating to our costs, both of which would be triggered indirectly by an increase in foreign currency exchange rates. The terms of our notes issued in the context of our debt restructuring allow us to suspend all principal and interest payments on these notes for 12 months in the event of a 20% or greater devaluation of the Peso in any consecutive 12-month period.

## THE ARGENTINE ELECTRICITY INDUSTRY

### Historical background

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

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

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

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

The ultimate objective of the privatization process was to achieve a reduction in rates paid by users and improve quality of service through competition. The privatization process commenced in February 1992 with the sale of several large thermal generation facilities formerly operated by SEGBA, and continued with the sale of transmission and distribution facilities (including those currently operated by our company) and additional thermoelectric and hydroelectric generation facilities.

### Regulatory and Legal Framework

#### *Role of the government*

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

### *Limits and restrictions*

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

#### *Vertical restrictions*

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

#### *Generators*

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

#### *Transmitters*

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

#### *Distributors*

- Under provision 31 of Law No. 24,065, neither a distribution company, nor any of its controlled companies or its controlling company, can be owner or majority shareholder or the controlling company of a transmission company; and
- Under Section 9 of Decree No. 1398/1992, a distribution company cannot own generation units. However, the shareholders of the electricity distributor may own generation units, either directly or through any other entity created with the purpose of owning or controlling generation units.

#### *Definition of control*

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

### *Horizontal restrictions*

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

### *Transmitters*

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

### *Distributors*

- Two or more distribution companies can merge or be part of the same economic group only if they obtain an express approval from the ENRE. Such approval is necessary when a distribution company intends to acquire shares of another electricity transmission or distribution company; and

Pursuant to the concession agreements that govern the services rendered by private companies operating distribution networks, the service is rendered by the concessionaire on an exclusive basis over certain areas indicated in the concession agreement.

At the end of 2001 and beginning of 2002, Argentina experienced an unprecedented crisis that virtually paralyzed the country's economy through most of 2002 and led to radical changes in government policies. See "Management's Discussion and Analysis of Financial Condition—Factors affecting our results of operations—Argentine Economic Conditions and Inflation." The crisis and the government's policies during this period severely affected the electricity sector. Pursuant to the Public Emergency Law that the Argentine Congress enacted to address the crisis, the Argentine government, among other measures:

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

These measures, combined with the devaluation of the Peso and high rates of inflation, had a severe effect on public utilities in Argentina, including our company. Because public utilities were no longer able to increase tariffs to cover their cost increases, the impact of inflation on costs led to decreases in their revenues in real terms and a deterioration of their operating performance and financial condition. Most public utilities had also incurred large amounts of foreign currency indebtedness under the fixed one-to-one Peso per Dollar exchange rate of the



Convertibility regime and, following the elimination of the Convertibility regime and the resulting devaluation of the Peso, the debt service burden of these utilities increased sharply, which led many of these utilities to suspend payments on their foreign currency debt in 2002. This situation caused many Argentine electricity generators, transmission companies and distributors to defer making further investments in their networks. As a result, Argentine electricity market participants, particularly generators, are currently operating at near full capacity, which could lead to insufficient supply to meet a growing national energy demand. In addition, the economic crisis and the resulting emergency measures had a material adverse effect on other energy sectors, including oil and gas companies, which has led to a significant reduction in natural gas supplies to generation companies that use this commodity in their generation activities.

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

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

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

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

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

## **Regulatory authorities**

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

- (1) the Secretary of Energy of the Ministry of Federal Planning, Public Investment and Services, and
- (2) the ENRE

The Secretary of Energy advises the Argentine government on matters related to the electricity sector and is responsible for the application of the policies concerning the Argentine electricity industry.

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

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

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

## **The wholesale electricity market**

### ***Overview***

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

The wholesale electricity market consists of:

- a term market in which generators, distributors and large users enter into long-term agreements on quantities, prices and conditions;
- a spot market, in which prices are established on an hourly basis as a function of economic production costs, represented by the short-term marginal cost of production measured at the Ezeiza 500 kV substation, the system's load center, and demand; and

- a stabilization fund, managed by CAMMESA, which absorbs the differences between purchases by distributors at seasonal prices and payments to generators for energy sales at the spot price.

### ***Operation of the wholesale electricity market***

The operation of the wholesale electricity market is administered by the Wholesale Electricity Market Administration Company (*Compañía Administradora del Mercado Mayorista Eléctrico S.A.*, or CAMMESA). CAMMESA was created in July 1992 by the Argentine government, which currently owns 20% of CAMMESA's capital stock. The remaining 80% is owned by various associations that represent wholesale electricity market participants, including generators, transmitters, distributors, large users and electricity brokers.

CAMMESA is in charge of:

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

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

### ***Wholesale electricity market participants***

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

### ***Generators***

According to a recent report issued by CAMMESA, there are 45 generation companies, 22 auto generation companies and three co-generation companies in Argentina, most of which operate more than one generation plant. As of December 31, 2009, Argentina's installed power capacity was 27,045 MW. Of this amount, 56% was derived from thermal generation, 37% from hydraulic generation and 7% from nuclear generation. Private generators participate in CAMMESA through the Argentine Association of Electric Power Generators (*Asociación de Generadores de Energía Eléctrica de la República Argentina*, or AGEERA), which is entitled to appoint two acting and two alternate directors of CAMMESA.

### ***Transmitters***

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

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

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

### ***Distributors***

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

We and Edesur are the largest distribution companies and, together with Edelap, originally comprised SEGBA, which was divided into three distribution companies at the time of its privatization in 1992.

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

### ***Large users***

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

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

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

### ***Traders***

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

### ***Spot market***

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

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

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

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

### ***Seasonal Prices***

The emergency regulations also made significant changes to the seasonal prices charged to distributors in the wholesale electricity market, including the implementation of a pricing ladder organized by level of customer consumption (which varies depending on the category of customer) charged by CAMMESA to distributors at a price significantly below the spot price charged by generators. According to the current regulatory framework, the ENRE is required to adjust the seasonal price charged to distributors in the wholesale electricity market every six months. However, between January 2005 and November 2008, the ENRE failed to make these adjustments. In November 2008, the ENRE passed Resolution 628/08 establishing a new distribution tariff as from October 1, 2008 and modified seasonal prices charged to distributors, including the consumption levels that make up the pricing ladder.

On August 14, 2009, the ENRE adopted Resolution No. 433/2009 approving two tariff charts to be applied by Edenor. The first one applied retroactively for the period from June 1, 2009 to July 31, 2009. The second rate chart was effective for the period from August 1, 2009 to September 30, 2009. These charts were based on the new subsidized seasonal prices set forth Resolution No. 652/09 issued by the Secretary of Energy. The new price charts aimed at reducing the impact of increased winter electrical energy consumption on the invoicing of residential customers with bi-monthly consumption exceeding 1,000 kWh. The modification to the ENRE rate charts did not have any effect on our VAD. The ENRE also instructed us to break down the floating charges of all invoices, into the amounts subsidized and not subsidized by the Argentine government.

As of October 1, 2009, the tariff chart of October 2008 was reinstated pursuant to ENRE Resolution No. 628/2008. The floating charge of all invoices continues to be broken down into the amounts subsidized and not subsidized by the Argentine Government.

During 2010, the seasonal rate chart has been revised twice. For the months of June and July, tariffs were revised so that residential customers with consumption levels above 1000 KWh received a full subsidy for their energy purchases. For the months of August and September, residential customers with consumption levels above 1000 KWh received a subsidy equal to 70 percent of their energy purchase price. These revised tariff schemes did not affect our VAD.

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

### ***Stabilization Fund***

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

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

The stabilization fund was adversely affected as a result of the modifications to the spot price and the seasonal price made by the emergency regulations, pursuant to which seasonal prices were set below spot prices resulting in large deficits in the stabilization fund. As of December 31, 2009, the stabilization fund deficit totaled approximately Ps. 24,000 million. This deficit has been financed by the Argentine government through loans to CAMMESA and with FONINVEMEM funds, but these continue to be insufficient to cover the differences between the spot price and the seasonal price.

### ***Term market***

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

### ***Energía Plus***

In September 2006, the Secretariat of Energy issued Resolution No. 1281/06 in an effort to respond to the sustained increase in energy demand following Argentina's economic recovery after the crisis. This resolution seeks to create incentives for energy generation plants in order to meet increasing energy needs. The resolution's principal objective is to ensure that energy available in the market is used primarily to service residential users and industrial

and commercial users whose energy demand is at or below 300 kW and who do not have access to other viable energy alternatives. To achieve this, the resolution provides that:

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

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

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

## BUSINESS

### Overview

We believe we are the largest electricity distribution company in Argentina and one of the largest in Latin America in terms of number of customers and electricity sold (both in GWh and in Pesos) in 2009. We hold a concession to distribute electricity on an exclusive basis to the northwestern zone of the greater Buenos Aires metropolitan area and the northern portion of the City of Buenos Aires, comprising an area of 4,637 square kilometers and a population of approximately seven million people. As of June 30, 2010, we served 2,631,612 customers. The following table shows the percentage of the electricity produced and sold by generating companies that was purchased by us in the periods indicated:

	Demand (GWh)		
	Wholesale Electricity Market <sup>(1)</sup>	Edenor Demand <sup>(2)</sup>	Edenor Demand as a % of Wholesale Electricity Market
2009.....	104,592	20,676	19.8%
2008.....	105,959	20,863	19.7%
2007.....	102,950	20,233	19.7%

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

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

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

### History

We are a public service company incorporated as an Argentine limited liability corporation (*sociedad anónima*) on July 21, 1992 under the name *Empresa Distribuidora Norte Sociedad Anónima*. We were incorporated as part of the privatization of the Argentine state-owned electricity utility, SEGBA. In anticipation of its privatization, SEGBA was divided into three electricity distribution companies, including our company, and four electricity generation companies, and on May 14, 1992, the Argentine Ministry of Economy and Public Works and Utilities (currently the Ministry of Economy and Public Finance) approved the public sale of all of our company's Class A shares, representing 51% of the capital stock of our company.

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

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

In 2001, EDF International S.A. acquired, in a series of transactions, all of the shares of EASA held by EASA's other shareholders, Empresa Nacional de Electricidad S.A. (ENDESA Internacional), YPF S.A., which was the surviving company of Astra Compañía Argentina de Petróleo S.A. (Astra), and Société D' Aménagement Urbain et Rural (SAUR). As a result, EASA became a wholly owned subsidiary of EDFI. In addition, EDFI purchased all of the Class B shares of our company held by these shareholders, increasing its direct and indirect interest in our company to 90%.

On January 6, 2002, the Argentine congress enacted the Public Emergency Law, which authorized the Argentine government to implement certain measures to overcome the country's economic crisis. Under the Public Emergency Law, the Argentine government altered the terms of our concession and the concessions of other public



utility services by renegotiating tariffs, freezing distribution margins and revoking price adjustment mechanisms, among other measures.

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

In April 2007, we completed the initial public offering of our Class B common shares, in the form of shares and American depositary shares, or ADSs. We and certain of our shareholders sold 18,050,097 ADSs, representing 361,001,940 Class B common shares, in an offering in the United States and elsewhere outside Argentina, and our Employee Stock Participation Program sold 81,208,416 Class B common shares in a concurrent offering in Argentina. Our ADSs are listed in The New York Stock Exchange under the symbol "EDN," and our Class B shares are listed on the Buenos Aires Stock Exchange under the same symbol. We received approximately U.S. \$61.4 million in proceeds from the initial public offering, before expenses, which we used to repurchase a part of our outstanding debt. Following the initial public offering, EASA continues to hold 51% of our common shares, with approximately 49% held by the public. See "Principal Shareholders."

On November 20, 2008, the Argentine Congress passed a law unifying the Argentine pension and retirement system into a system publicly administered by the National Social Security Agency (*Administración Nacional de la Seguridad Social*, or ANSES) and eliminating the retirement savings system previously administered by private pension funds under the supervision of a governmental agency. In accordance with the new law, private pension funds transferred all of the assets administered by them under the retirement savings system to the ANSES. As of August 10, 2010, ANSES holds 229,125,205 of our Class B shares, representing 25.3% of our capital stock.

### **Our strengths**

We believe our main strengths are the following:

- *We believe we are the largest electricity distributor in Argentina* in terms of number of customers and electricity sold (both in GWh and in Pesos) in 2009. We serve the largest number of electricity customers in Argentina, which at June 30, 2010, amounted to 2,631,612 customers. Our electricity purchases, used to meet customer demand in our service area, accounted for approximately 19.8% of total electricity demand in the country in 2009. As a result of being the largest electricity distributor in Argentina in terms of volume and customers, we have strong bargaining power with respect to many of our operating expenses, including salaries, and benefit from economies of scale. We also actively participate in industry decision-making bodies and are working closely with the Argentine government to address Argentina's current energy challenges.
- *We distribute electricity to an attractive and diversified client base in a highly developed area of Argentina.* We operate on an exclusive basis in the northwestern zone of the greater Buenos Aires metropolitan area and the northern portion of the City of Buenos Aires, which is one of Argentina's largest industrial and commercial centers. We have a highly concentrated, urban client base characterized by high purchasing power and low delinquency in payments of electricity bills (with an average of less than seven days of past due bills outstanding). Our geographically concentrated and urban client base also allows us to operate more efficiently with relatively lower distribution costs. Finally, we have a balanced distribution of clients (residential, commercial, industrial).
- *We have substantial experience in the operation of electricity distribution systems with strong operating performance and efficiency for the characteristics of our concession area.* We have

substantial experience in the operation of electricity distribution systems and have received multiple ISO certifications on our commercial, technical and administrative processes, including on the quality of our services and safety and environmental standards. We were declared by the ENRE a self-operating business in 1997, which means we are not required to have a strategic operator conduct our business and allows us to act as an operator in other electricity businesses. We believe that our energy losses are low compared to other electricity distribution companies in Latin America. In addition, we have maintained what we believe are optimal levels of operating efficiency, with 978 customers per employee and 6,936.1 MWh sold per employee in 2009.

- *We have a well-balanced capital structure.* As of June 30, 2010, our financial debt amounted to U.S. \$199.9 million, including U.S. \$176.6 million principal amount of Dollar-denominated notes and Ps. 69.9 million Peso-denominated notes. We have continued to strengthen our capital structure during 2009 acquiring through market purchases U.S. \$32.2 million principal amount of Fixed Rate Par Notes due 2016 and U.S. \$53.8 million principal amount of Senior Notes due 2017.
- *We have a stable, committed and seasoned management team.* Our management team has not changed significantly since 1992, despite the changes to and from foreign ownership of our company since our privatization. In accordance with our concession, we are operating our electricity distribution business without the assistance of an external technical operator. Our new controlling shareholder has maintained our management team, and added financial expertise. We encourage internal promotion and provide training and other opportunities for our employees to continue to grow with our business.

### **Our strategy**

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

- *Complete our tariff renegotiation process.* On November 12, 2009, we submitted our tariff proposal to ENRE's Board of Directors in response to the ENRE's request as part of the integral tariff revision process. Our integral tariff proposal includes, among other factors, a recalculation of the compensation we receive for our distribution services based on a revision of our asset base and rate of return. Furthermore, our proposal presented the ENRE with three options for the revised tariff scheme based on three different scenarios and each of which assumed the implementation of the tariff increase in three equal semiannual installments.
- *Continue to serve our concession area with a high quality of service.* We aim to continue serving our clients in accordance with the terms of our concession, distributing electricity within our area meeting or exceeding the required quality standards. We intend to continue to dedicate a significant portion of our capital expenditures to the maintenance, enhancement and expansion of our network to achieve this goal.
- *Undertake a reclassification of our smaller customers by economic activity rather than level of demand to optimize our tariff base.* We intend to reclassify our client base based on type of economic activity and purchasing power rather than only on levels of electricity demand. We believe this will allow us to shift clients who currently fall within our lowest tariff categories, to other, more appropriate categories, including professionals and small businesses which, due to their low demand, are currently classified as residential customers, and to charge them accordingly.
- *Focus on increasing our operating efficiency and optimizing our level of energy losses.* We are committing significant resources to improving the quality of our technical services and the safety of our public infrastructure to allow us to reduce the amount of fines imposed by Argentine regulatory authorities in the ordinary course of our operations. We intend to build new entry points for our network in Tigre (previously called Escobar), Province of Buenos Aires, and Malaver, City of Buenos Aires, which will significantly improve the quality and reliability of our network. Currently, our objective is to maintain energy losses at an optimum level, taking into account the marginal cost of

reducing such losses and the level at which, pursuant to the terms of our concession, we are reimbursed for the cost of such losses.

### **Our concession**

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

On January 6, 2002, the Argentine congress enacted the Public Emergency Law, which empowered the Argentine government to implement, among other things, monetary, financial and foreign exchange measures to overcome the economic crisis. These measures, combined with the devaluation of the Peso and high rates of inflation, had a severe effect on public utilities in Argentina, including our company. Under the Public Emergency Law, the Argentine government converted public utility tariffs from their original U.S. Dollar values to Pesos at an exchange rate of Ps. 1.00 per U.S. \$1.00, froze all regulated distribution margins relating to the provision of public utility services (including electricity distribution services), revoked all price adjustment provisions and inflation indexation mechanisms in public utility concessions (including our concession) and empowered the Executive Branch to conduct a renegotiation of public utility contracts (including our concession) and the tariffs set therein (including our tariffs).

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

Pursuant to the Adjustment Agreement, the Argentine government granted us an increase of 28% in our distribution margin, which is effective retroactively as of November 1, 2005. The Adjustment Agreement is intended to apply transitionally until we complete the RTI with the ENRE in accordance with the terms of the Adjustment Agreement. See "Management's Discussion and Analysis of Financial Conditions—Factors Affecting Our Results of Operations—Tariffs." In addition, because the Adjustment Agreement is effective retroactively as of November 1, 2005, the ENRE applied the CMM retroactively in each of May and November 2006, the dates in each year on which the ENRE is required to apply the CMM. In the May 2006 CMM, the ENRE determined that our distribution cost base increased by 8.032% (compared to the distribution cost base recognized in the Adjustment Agreement), and, accordingly, approved an equivalent increase in our distribution margin effective May 1, 2006. This increase, when compounded with the 28% VAD increase granted under the Adjustment Agreement, results in an overall 38.3% increase in our distribution margins charged to our non-residential customers. Also on February 13, 2007, the ENRE authorized us to bill our clients (excluding residential clients) the retroactive portion of the 38.3% increase (corresponding to the period from November 2005 to January 2007), which amounted to Ps. 218.6 million and which we have continued to invoice in 55 monthly installments since February 2007. As of June 30, 2010, we had invoiced Ps. 173.4 million of the total amount.

In October 2007, the Argentine Secretary of Energy published Resolution No 1037/2007, which granted us an increase of 9.63% to our distribution margins to reflect an increase in our distribution cost base for the period from May 1, 2006 to April 30, 2007, compared to the recognized distribution cost base as adjusted by the May 2006 CMM. However, this increase was not incorporated into our tariff structure, and, instead, we were allowed to retain the funds that we are required to collect and transfer to the PUREE to cover this CMM increase and future CMM increases. In July 2008, we obtained an increase of approximately 17.9% to our distribution margin, which we incorporated into our tariff structure. This increase represented the 9.63% CMM increase corresponding to the period from May 2006 to April 2007 and the 7.56% CMM increase corresponding to the period from May 2007 to

October 2007. These CMM adjustments were included in our tariff structure as of July 1, 2008 and resulted in an average increase of 10% for customers in the small commercial, medium commercial, industrial and wheeling system categories and an average increase of 21% for residential customers with bimonthly consumption levels over 650 kWh. In addition, the ENRE authorized us to be reimbursed for the retroactive portion of the 7.56% CMM increase for the period between November 2007 and June 2008, from the PUREE funds.

Furthermore, we requested an additional increase to our distribution margins under the CMM to account for fluctuations in the distribution cost base for the period from November 2007 to April 2008, in comparison to the distribution cost base recognized by the CMM in November 2007. In 2008, the ENRE adopted Note No 81.399, which authorized a 5.791% increase under the CMM. As of the date of this offering memorandum, the ENRE has not approved a new tariff scheme including this tariff increase.

As of June 30, 2010, we have submitted to the ENRE four additional requests from CMM adjustments as described in the table below:

Assessment Period	Application Date	CMM Adjustment Requested
May 2008 – October 2008	November 2008	5.684%
November 2008 - April 2009	May 2009	5.068%
May 2009 – October 2009	November 2009	5.041%
November 2009-April 2010	May 2010	7.103%

As of the date of this offering memorandum, the ENRE has not yet responded to these requests.

Although we believe that these increases comply with the terms of the CMM, we cannot assure that the ENRE will grant us these increases in full, or at all, or if granted, that we will be able to bill our customers or otherwise recover these increases from other sources of payment (such as PUREE).

Following are the key provisions of the Adjustment Agreement, which are described elsewhere in this offering memorandum:

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

Currently, the RTI has not yet been completed and although we are currently in discussions with the Argentine government regarding the RTI, we cannot predict when or how the RTI will be implemented.

### **Geographic Exclusivity**

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

We divide our concession area into the following operating territories:

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

The table below sets forth certain information relating to our operating territories as of and for the period ended June 30, 2010:

<u>Operating territory</u>	<u>Area (km<sup>2</sup>)</u>	<u>Customers (in thousands)</u>	<u>% of Sales</u>
Morón.....	1,761	849,277	32.3%
Norte .....	164	818,495	31.1%
Olivos .....	1,624	485,697	18.5%
Pilar .....	1,088	478,143	18.2%
Total .....	4,637	2,631,612	100%

According to INDEC, the Pilar area experienced the highest population growth rate of the Buenos Aires metropolitan region between 1991 and 2001, growing by 56.6% from approximately 149,070 people in 1991 to approximately 233,508 people in 2001. Today, some of the most affluent neighborhoods and upscale commercial centers and businesses are located in the Pilar area.

### **Our obligations**

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

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

Our concession requires us to make the necessary investments to establish and maintain quality of service standards and to comply with stringent minimum public safety standards as specified in our concession. We are also required to furnish the ENRE with all information requested by it and must obtain the ENRE's prior consent for the disposition of assets that are assigned to the provision of our electricity distribution services. The ENRE also

requires us to compile and submit various types of reports regarding the quality of our service and other technical and commercial data, which we must periodically report to the ENRE.

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

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

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

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

### ***Quality standards***

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

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

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

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

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

(1) Interruptions of less than three minutes are not recorded.

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

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

Pursuant to our concession, the ENRE may fine us if one of our customers suffers more than the maximum number of interruptions specified for its category (excluding interruptions of less than 3 minutes) or suffers interruptions for a longer time than the time specified for its category. We pay these fines by granting credits to the affected customers in their electricity bills. Fines are calculated at a rate per kWh that varies depending on the particular tariff or price schedule that is applicable to the user. Following the privatization of our company in 1992, we have been able to improve our quality of service from an average of 22 hours of interruptions per customer and 13 interruptions per customer in 1992 to an average of 7.33 hours of interruptions per customer and 4.98 interruptions per customer in 2000, the last full year prior to the Argentine crisis.

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

	Year ended December 31,				
	2009	2008	2007	2006	2005
Average frequency of interruptions.....	4.42	4.10	3.47	2.81	3.38
Average duration of interruption (in hours) .....	8.79	8.31	6.59	5.01	5.10

Additionally, in order to satisfy quality standards, we must meet certain operating requirements relating to commercial service, including maintenance of the distribution network so as to minimize failures and to maximize the useful life of fixed assets and billings on actual meter readings to generate customer bills. We may bill customers using estimates in cases of *force majeure*, but we may not send a customer more than two successive estimated bills, if billed bimonthly, or, in other cases, more than three successive estimated bills. Furthermore, estimated bills cannot exceed 8% of total billings in each category of customers.

### ***Fines and penalties***

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

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

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

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

Because the Adjustment Agreement was not ratified until January 2007, we have recalculated the amounts of accrued fines and penalties subject to the payment plan under the terms of the Adjustment Agreement as well as the amounts subject to forgiveness. In addition, we are required to make adjustments to our accrued fines and penalties under the payment plan in order to reflect increases to our in our distribution margins, including the CMM adjustments. For the years ended on December 31, 2008 and 2007, we recorded adjustments of Ps. 17.2 million and Ps. 18.1 million, respectively, to reflect CMM adjustments. We did not record any adjustments in 2009 or the first six-month period of 2010.

In 2009, the fines and penalties imposed on us by the ENRE amounted to Ps. 58.5 million, which represented 2.8% of our energy sales. As of December 31, 2009 our accrued fines and penalties imposed by the ENRE amounted to Ps. 377.5 million. In the six-month period ended June 30, 2010, the fines and penalties imposed on us by the ENRE amounted to Ps. 25.8 million. As of June 30, 2010 our accrued fines and penalties imposed by the ENRE amounted to Ps. 402.4 million. We estimate that the ENRE will forgive approximately Ps. 71.4 million of our accrued fines and penalties upon the completion of the RTI, and that we will be required to pay approximately Ps. 331.0 million in accordance with the payment plan provided for in the Adjustment Agreement, although we cannot be certain of what amounts, if any, we will ultimately be forgiven.



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

	Year ended December 31,											
	Six- month period ended June 30,	(in millions of Pesos)										
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	
Accruals at beginning of year ....	Ps.377.5	Ps.331.6	Ps.281.4	Ps.241.1	Ps.169.7	Ps. 99.3	Ps. 63.4	Ps. 49.0	Ps. 19.0	Ps. 13.6	Ps. 17.4	
ENRE Fines and Penalties.....	25.8	58.5	34.8	23.9	25.2	72.7	36.0	14.6	31.7	16.4	13.6	
Quality of Technical Service.....	9.6	15.0	15.2	7.0	10.4	4.9	4.7	3.2	5.6	5.2	4.0	
Quality of Technical Product.....	1.4	3.1	3.0	0.9	0.6	1.1	6.9	6.5	5.5	2.9	2.9	
Quality of Commercial Service .	1.0	2.4	1.6	1.1	1.2	—	1.2	0.5	1.5	1.7	0.9	
Public Safety .....	8.9	34.0	11.6	10.3	6.7	25.4	10.9	2.0	4.9	4.2	6.3	
Transport Technical Function....	0.4	0.1	0.3	0.2	0.4	—	0.2	0.2	0.2	—	0.3	
Reporting Violations .....	4.6	3.9	2.9	4.4	5.6	33.7	12.2	1.7	4.9	1.9	(0.2)	
Others.....	—	—	—	—	0.2	7.5	—	0.4	9.0	0.5	(0.5)	
Less: Paid during period.....												
Quality of Technical Service.....	—	—	—	—	—	1.6	—	—	0.9	3.3	5.6	
Quality of Technical Product.....	—	—	—	—	—	—	—	—	—	2.3	4.2	
Quality of Commercial Service .	0.8	3.7	—	1.5	0.4	0.1	0.1	0.1	0.3	1.4	1.0	
Public Safety .....	0.1	8.9	1.5	—	—	—	—	—	—	2.1	6.1	
Transport Technical Function....	—	—	—	0.1	0.3	—	—	0.1	0.3	0.2	0.5	
Others.....	—	—	—	—	—	0.6	—	—	—	1.8	—	
Total paid during period/year ....	0.9	12.7	1.7	1.7	0.7	2.4	0.1	0.2	1.6	11.1	17.4	
Plus: Adjustment to fines and penalties pursuant to the ratification of the Adjustment Agreement .....	—	—	17.2	18.1	47.0	—	—	—	—	—	—	
Accruals at period/year-end.....	<u>Ps.402.4</u>	<u>Ps.377.5</u>	<u>Ps.331.6</u>	<u>Ps.281.4</u>	<u>Ps.241.1</u>	<u>Ps.169.7</u>	<u>Ps. 99.2</u>	<u>Ps. 63.4</u>	<u>Ps. 49.0</u>	<u>Ps. 19.0</u>	<u>Ps. 13.6</u>	

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

### ***Foreclosure of pledge over our Class A shares or revocation of our concession***

The Argentine government may foreclose its pledge over our Class A shares and sell them in a public bidding process if any of the following occur:

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

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

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

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

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

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

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

If the Argentine government breaches its obligations in such a way that we cannot comply with our obligation under the concession or in such a way that the distribution service is materially affected, we can request the termination of the concession, after giving the Argentine government 90 days' prior notice. Upon termination of the concession, all our assets used to provide electricity service would be transferred to a new state-owned company to be created by the Argentine government, whose shares would be sold in an international public bidding procedure. The amount obtained in such bidding would be paid to us, net of the payment of any debt owed by us to the Argentine government, plus compensation established as a percentage of the bidding price, ranging from 10% to 30% depending on the management period in which the sale occurs.

### ***Our network***

As of June 30, 2010, the system through which we supply electricity was composed of 70 Sub-Stations of high/high voltage, high/high/medium voltage, high/medium voltage, representing 13,484 MVA of transformer capacity and 1,369 kilometers of high-voltage power lines 220 kV and 132 kV. The distribution system of medium/low voltage was comprised of 15,038 transformers of medium/low voltage, representing 5,601 MVA of transformer capacity, 9,289 kilometers of medium-voltage power lines 33 and 13.2 kV and 29,946 kilometers of low-voltage power lines 380 V.

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

	At June 30,	At December 31,		
	2010	2009	2008	2007
<b>Kilometers of transmission lines</b>				
High voltage .....	1,369	1,365	1,364	1,338
Medium voltage.....	9,289	9,191	8,890	8,806
Low voltage.....	24,946	24,761	24,445	23,910
Total .....	35,604	35,317	34,699	34,054
<b>Transformer capacity (MVA)</b>				
High voltage/high voltage .....	7,048	7,048	7,048	7,128
High voltage/medium voltage .....	6,536	6,356	6,106	5,866
Medium voltage/low voltage and medium voltage/medium voltage.....	5,766	5,643	5,369	5,136
Total .....	19,250	19,047	18,523	18,130

Access is provided from points of connection with the national interconnection grid, (500 kV-220 kV Rodríguez, 220 kV Ezeiza) and from the local Puerto and Costanera power plants. Our transmission and subtransmission system (“HV System”) is composed of the 220kV and 132kV head sub-stations: Casanova, Matanza, Ramos Mejía, Morón, Agronomía, Puerto Nuevo, Nuevo Puerto, Malaver, Colegiales, Edison, Matheu, Talar and Zappalorto.

This HV System, together with the Edesur and Edelap systems, forms the Greater Buenos Aires (GBA) system. The GBA system is operated by the *Sociedad Anónima Centro de Movimiento de Energía* (SACME), of which Edenor and Edesur own 50% of the shares. SACME is responsible for the management of regional high-voltage distribution in the greater Buenos Aires metropolitan area, coordinating, controlling and supervising the operation of the generation, transmission and sub-transmission network in the City of Buenos Aires and the greater Buenos Aires metropolitan areas, including coordination with *Sistema Interconectado Nacional* (the National Network System or NIS) in the Edenor and Edesur concession areas. SACME also represents its shareholders in the control of distribution for those concession areas.

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

We are currently working with the Argentine government and Edesur to construct two new entry points for our network, the first named “Oscar Smith” (previously called “Norte”) and the other “Puerto Nuevo-Malaver-Costanera”. These new entry points would significantly improve the quality and reliability of our network. On April 4, 2008, we entered into an agreement with the Ministry of Federal Planning, Public Investment and Services (*Ministerio de Planificación Federal, Inversión Pública y Servicios*) to build the new 500/220 kV “Oscar Smith” transformer station at the Partido de Tigre. This new transformer station will serve to connect our network with the Argentine Interconnection System (*Sistema Argentino de Interconexión*, or SADI). We believe that this new entry point will allow us to meet the increasing energy demands in the medium and long term throughout our concession area. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations —Factors Affecting Our Results of Operations—Demand—Capacity Demand.”

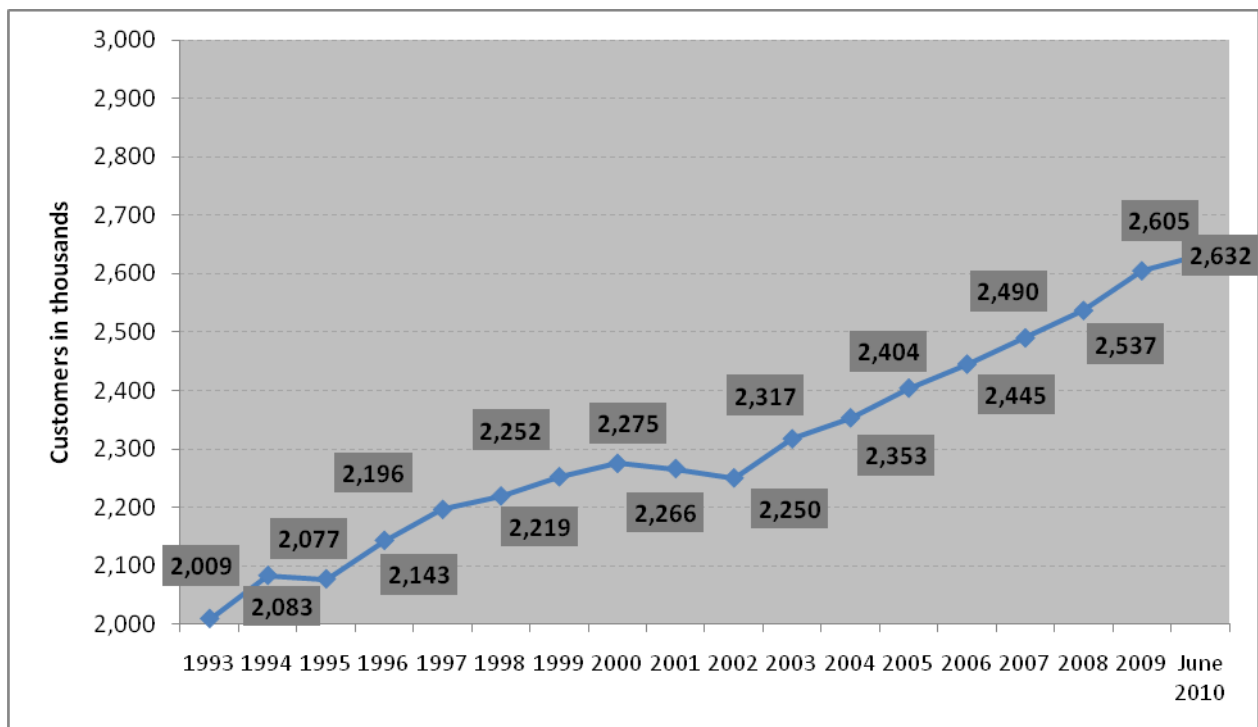
## Systems

Beginning in 2009 and continuing into 2010, we have been working on the following projects, which involve substantially replacing our non-accounting information technology platforms:

- We continued with the implementation of the CC&B (Customer Care & Billing) software for the complete renewal of our commercial systems. The project began in August 2008 and is scheduled to conclude in the first half of 2011;
- In August 2009, we began in collaboration with Microsoft, the migration of our technological platform, which will allow us to improve our net services, data storage and email.
- In October 2009, we signed a printer renting contract with Lexmark, which will allow us to replace all our printers unifying our printing services and reducing and rationalizing our related costs.

## Customers

The following graph shows the evolution of our customer base through June 30, 2010:



As of June 30, 2010, we served 2,631,612 customers. We define a “customer” as one meter. We classify our customers pursuant to the following tariff categories:

- Residential (T1-R1 to R9): residential customers whose peak capacity demand is less than 10kW. In 2009, this category accounted for approximately 40% of electricity sales.
- Small commercial (T1-G1 and T1-G2): commercial customers whose peak capacity demand is less than 10kW. In 2009, this category accounted for approximately 8% of electricity sales.
- Medium commercial (T2): customers whose peak capacity demand is equal to or greater than 10kW but less than 50kW. In 2009, this category accounted for approximately 9% of electricity sales.

- Industrial (T3): industrial customers whose peak capacity demand is equal to or greater than 50kW. This category is applied to high-demand customers according to the voltage at which each customer is connected. The voltage ranges included in this category are the following: (i) Low Voltage (LV): voltage less than or equal to 1 kV; (ii) Medium Voltage (MV): voltage greater than 1kV but less than 66 kV; and (iii) High Voltage (HV): voltage equal to or greater than 66kV. In 2009, this category accounted for approximately 18% of our electricity sales. This category does not include customers who purchase their electricity requirements directly through the wholesale electricity market under the wheeling system.
- Wheeling System: large users who purchase their electricity requirements directly from generation or broker companies through the wholesale electricity market. These tariffs follow the same structure as those applied under the Industrial category described above. As of December 31, 2009, the total number of such large users was 636, and in 2009 this category represented approximately 20% of our electricity sales.
- Others: public lighting (T1-PL) and shantytown customers whose peak capacity demand is less than 10kW. In 2009, this category accounted for approximately 5% of electricity sales. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations —Factors Affecting Our Results of Operations - Framework Agreement (Shantytowns).”

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

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

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

### ***Reading, billing and collecting***

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

Residential (Tariff 1-R):

- Tariff 1-R1: bimonthly energy demand less than or equal to 300 kWh
- Tariff 1-R2: bimonthly energy demand greater than 301 kWh
- Tariff 1-R3: bimonthly energy demand greater than 651 kWh and less than 800 kWh.
- Tariff 1-R4: bimonthly energy demand greater than 801 kWh and less than 900 kWh.
- Tariff 1-R5: bimonthly energy demand greater than 901 kWh and less than 1000 kWh.
- Tariff 1-R6: bimonthly energy demand greater than 1001 kWh and less than 1200 kWh.

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

*Small commercial (Tariff 1-G):*

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

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

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

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

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

	At June 30,	At December 31,		
	2010	2009	2008	2007
Residential.....	2,297,923	2,271,960	2,206,847	2,162,586
Small commercial.....	297,491	297,070	295,827	292,617
Medium commercial .....	29,451	28,923	28,397	28,676
Industrial .....	5,717	5,628	5,437	5,217
Wheeling system .....	636	636	626	569
Other*.....	94	395	393	399
Total .....	2,631,612	2,604,612	2,537,527	2,490,064

\* Represents public lighting and shantytown customers.

Since 1995, we have maintained two billing systems: one for small- and medium-demand customers and another for large users. Both systems permit the integration of the reading, billing, collection processes and the tracing of the delinquent balances of customers included in those demand categories.

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

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

When we assumed the operation of the distribution system from SEGBA in September 1992, many residential electricity meters had not been read for months, individual customer account information was unreliable or nonexistent, and billing and collection systems and procedures required substantial improvement. The state of these customer records made it difficult to determine how much electricity individual customers had used and

whether they were delinquent in paying for the service. As a result, one of our primary objectives since 1992 has been to address and minimize slow-paying accounts and past due receivables.

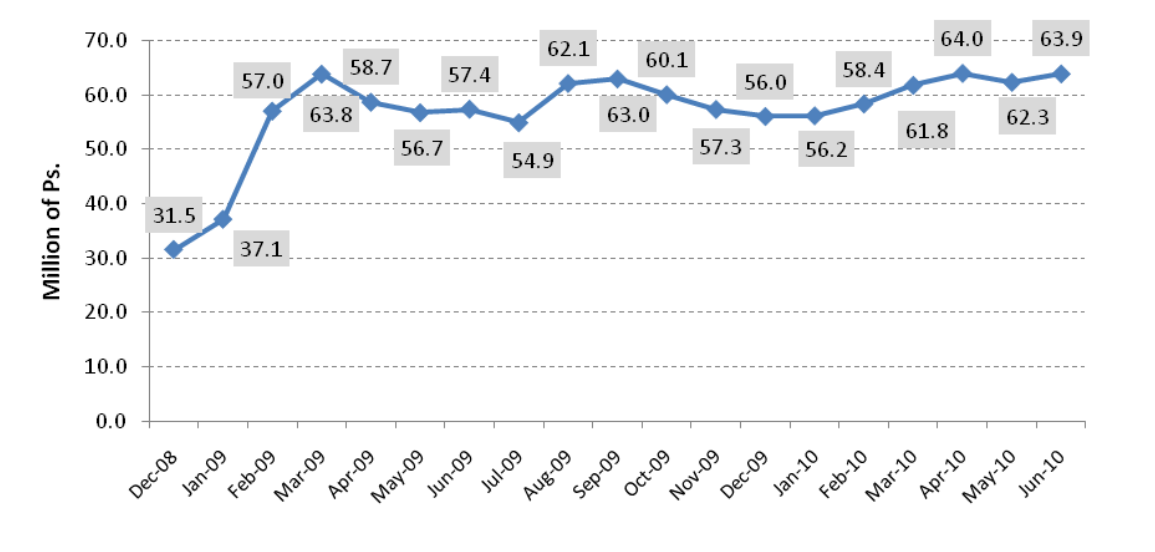
Since 1992, many procedures have been established to reduce delinquency and make collection possible. Our Commercial Department oversees the strict observance of such procedures.

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

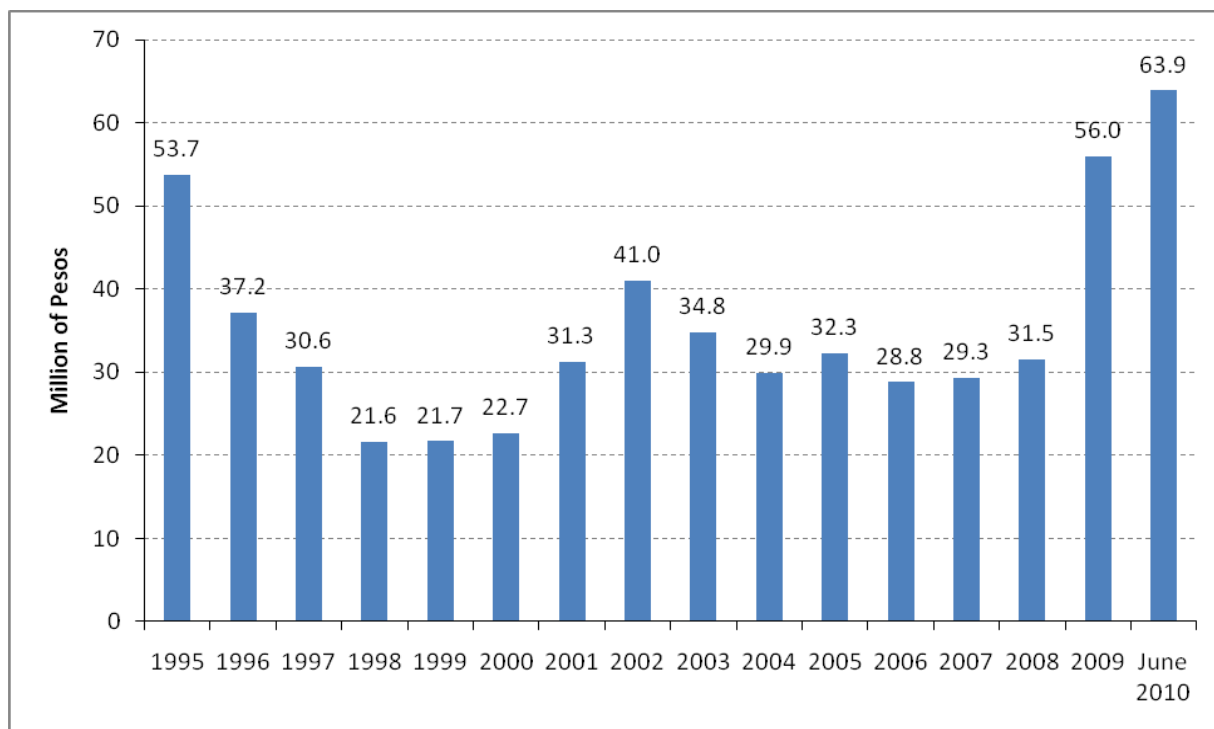
Our past due receivables increased from Ps. 31.5 million in 2008 to Ps. 56.0 million in 2009. Our past due receivables as of June 30, 2010 amounted to Ps. 63.9 million.

This increase in past due receivables was the result of the preliminary injunction that the Ombudsman challenging the October 2008 adjustment to our tariffs received. The preliminary injunction prohibits us from cutting the supply of energy to customers challenging the October 2008 tariff increase until a decision is reached with respect to the Ombudsman's claim. See "Business—Legal Proceedings—Preliminary Injunction of the Public Ombudsman." Although we felt the brunt of the injunction in February and March 2009, it continues to adversely impact our collections.

The following paragraph shows our monthly delinquent balances in 2009 and 2010:



The following graph shows our delinquent balances as of December 31 of each year and as of June 30, 2010:



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

### ***Energy losses***

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

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

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



In the year 2000, our losses were close to the 10% target rate established in our concession and recognized in tariffs. However, as a result of the economic, political and social crisis that erupted in 2001, the level of energy losses began to escalate again due to increased poverty levels and payment delinquency. Fraud control by Edenor workers was often impeded due to the increased aggression from customers during monitoring visits. Such incidents have decreased since 2004, however, due to improved socioeconomic conditions and the efforts of our management. Due to the inefficiencies associated with reducing our energy losses below the level at which we are reimbursed pursuant to our concession, we currently do not intend to significantly lower our level of losses.

At present, our goal is to maintain our energy losses at an optimal level, taking into account the cost of reducing such losses and the level at which we are reimbursed for the cost of these losses under our concession. Our procedures for maintaining an optimal level of losses are focused on improving collections to ensure that customers pay for all the energy that they consume and making investments in our network to control technical losses. To reduce the theft of electricity we have implemented vigilance and special technologies, such as much higher networks that cannot be reached using normal ladders, shields close to the electricity posts, concentric cables, shielded meters and suspension of electricity service, among other remedies. We are experimenting with other programs including teaching low-income customers how to ration their consumption, providing low-income customers with the option of paying in installments and the installation of 4,800 prepaid meters. We also plan to encourage, through subsidies, the installation of special low-energy lamps. A final decision with respect to the implementation of these energy sales measures on a large scale is currently under evaluation by the ENRE. In addition, the national government has implemented a program through PRONUREE (*Programa Nacional de Uso Racional y Eficiente de la Energía*) to distribute low energy consumption lamps to our clients through agreements with local municipalities. In 2008 and 2009, over 2,400,000 of such lamps were distributed to our clients through this program.

The following table illustrates our estimation of the approximate breakdown between technical and non-technical energy losses experienced in our concession area in the last ten years.

	Year ended December 31,										
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Technical losses.....	9.8%	9.8%	9.6%	8.6%	8.3%	8.1%	8.0%	7.8%	7.5%	7.3%	8.0%
Non-technical losses.....	2.1%	1.0%	2.0%	2.5%	2.7%	3.4%	4.7%	4.5%	3.6%	2.7%	2.2%
Total losses.....	11.9%	10.8%	11.6%	11.1%	11.0%	11.5%	12.7%	12.3%	11.1%	10.0%	10.1%

In the first six-months of 2010, we recorded energy losses of 12.4%, compared to 11.6% in the same period of 2009.

#### **Framework agreement (Shantytowns)**

In January 1994, we and Edesur entered into the framework agreement with the Argentine government and the Province of Buenos Aires to regulate our supply to low-income areas and shantytowns. Pursuant to the framework agreement, we agreed to supply electricity and, if feasible, install individual meters within each shantytown. However, given the lack of adequate space or streets between shantytown homes, in many instances we were only able to install a single meter at the boundary of each shantytown to measure its collective consumption. Under the terms of the framework agreement, we were entitled to receive compensation from (a) the municipality in which the shantytowns were located, (b) a federal fund, first, for any non-payment in respect of the electricity supplied to the shantytowns and, second, for losses up to Ps. 20 million incurred prior to the signing of the framework agreement, and (c) a provincial fund for capital expenditures made to regularize the shantytown energy supply.

In October 2003, we, together with Edesur and Edelap, signed a new framework agreement with the Argentine government and the Province of Buenos Aires, which was applicable retroactively as of September 2002 and was to expire on the earlier of December 31, 2006 or the full regularization of electricity supply to the shantytowns. Under this 2003 framework agreement, we are compensated for the service we provide to shantytowns by a commission formed in each shantytown that collects funds from residents of the shantytown. In addition, we are compensated separately by the municipality in which each shantytown is located, and, if there is any payment shortfall, by a special fund which the Argentine government, and the Province of Buenos Aires

support. Specifically, the Argentine government contributes an amount equal to 21% and the Province of Buenos Aires contributes an amount equal to 15.5% of the compensation, net of taxes, paid by those customers with payment problems and meter irregularities who have been regularized under the framework agreement. Under the framework agreement, we may also suspend service to regularized clients for lack of payment.

In October 2006, we and the Province of Buenos Aires entered into a payment plan agreement with respect to amounts owed to us by the Province of Buenos Aires under the framework agreement with respect to periods prior to 2007. Pursuant to the payment plan agreement, we submitted a statement of claims owed to us for the service we provided in low-income and shantytown areas between September 2002 and June 2006. The Province of Buenos Aires verified these claims in accordance with the terms of the framework agreement and began paying these claims in 18 equal consecutive monthly installments. Furthermore, as part of the payment plan agreement, the Province of Buenos Aires agreed to pay the first six installments of our claims, irrespective of whether verification of such claims had taken place, and to pay any amounts corresponding with the services we provided to low-income areas and shantytowns during the second half of 2006. We agreed to waive our right to interest accrued on outstanding amounts owed to us under the framework agreement, provided the Province of Buenos Aires complies with its obligations under the payment plan.

On June 23, 2008, we signed an amendment to the framework agreement with the Argentine government, the Province of Buenos Aires and the other national electric distributors agreeing to extend the framework agreement for four years from January 1, 2007. The Argentine government ratified the amendment on September 22, 2008 and on June 18, 2009 the Province of Buenos Aires published the ratification of this Addendum in the Official Bulletin of the Province of Buenos Aires. Throughout this process, we have continued to supply energy to the shantytowns.

Our receivables for amounts accrued but not yet paid for the supply of energy to shantytowns under the framework agreement amounted to Ps. 54.8 million as of December 31, 2009 and Ps. 49.4 million as of December 31, 2008. As of June 30, 2010 our receivables for amounts accrued but not yet paid for the supply of energy to shantytowns under the framework agreement amounted to Ps. 29.0 million.

In March 2010, the Company signed with the Government of the Province of Buenos Aires a payment plan agreement with respect to amounts owed to us by the Province of Buenos Aires under the new framework agreement. The Government of the Province of Buenos Aires agreed to pay the amount due through Cancellation Bonds, which are bonds issued by the Province of Buenos Aires for the purpose of paying outstanding obligations of the Province. The agreement was signed subject to the approval of the Provincial Executive Power and the Company's board of directors. The Company's board accepted the agreement in the meeting held on April 27, 2010. In May and June 2010, the Company received payments from the Government of the Province of Buenos Aires for Ps. 1.6 million in cash and Ps. 30.9 million (principal amount) of Cancellation Bonds. These Cancellation Bonds were issued by the Province of Buenos Aires on December 15, 2009, with a maturity of March 15, 2011. The Cancellation Bonds we received amortise in twelve equal and consecutive payments, have a three month grace period for capital payments and earn interest at a rate of BADLAR plus 450 base points and are freely transferable. As of June 30, 2010, we hold Ps. 25.6 million of Cancellation Bonds and all payments on these Cancellation Bonds have been made according to schedule.

### ***Insurance***

As of June 30, 2010, we are insured for loss or damage to property, including damage due to floods, fires and earthquakes covering amounts up to U.S. \$568.8 million, with the following deductibles:

- transformers, with a deductible of U.S. \$100,000 to U.S. \$750,000 (depending on the capacity);
- equipment of sub-stations (not including transformers), with a deductible of U.S. \$50,000.
- commercial offices, with a deductible of U.S. \$1,500 for each office.
- deposits and other properties, with a deductible of U.S. \$25,000; and,

- terrorist acts up to U.S. \$10 million, with a deductible of U.S. \$50,000.

We maintain customary directors' and officers' liability insurance, a civil liability insurance (covering damages to third parties), workmen's compensation, automobile, life and theft/burglary insurance policies subject to customary deductibles and limitations. Mandatory life insurance for each employee is maintained in accordance with Argentine law. Although we do not have business interruption insurance, we consider our insurance coverage to be adequate and in accordance with the standards prevailing for the industry. See "Risk Factors—Risks Relating to Our Business—Our Insurance May Not Be Sufficient to Cover Certain Losses."

### ***Environmental management***

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

In 2009, Edenor completed the removal of PCBs from all its transformers with cooling oils and emissions exceeding 50 ppm (parts per million).

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

On October 19, 1999, the Argentine Institute of Normalization (the *Instituto Argentino de Normalización*) certified that we have an Environmental Management System that is in accordance with the requirements of the standards set by the International Standardization Organization (ISO) as specified in its release, ISO 14001, which relates specifically to environmental management systems. This certification is reaffirmed on an annual basis, most recently as of October 2009.

Argentine law requires all persons whose activities risk environmental damage, such as us, to obtain environmental insurance up to a certain minimum coverage or set aside funds in an environmental restoration fund to pay for environmental liabilities that may arise. As of the date of this offering memorandum, the Superintendent of Insurance (*Superintendencia de Seguros de la Nación*) has only approved one environmental insurance policy that meets with the legal requisites. We have explored the possibility of setting up an environmental restoration fund, yet it is not clear what the appropriate size or scope of the fund would be. We continue to consult with leading insurance companies to evaluate our alternatives. We have conducted a review of the possible impact and effects our activities might have on the environment, and we have implemented certain preventative measures and operational controls as a result. We also have an environmental emergency plan that details the steps that would be taken in the case our operations resulted in any environmental damage.

## **Seasonality**

For a discussion of seasonality of demand see “Management’s Discussion and Analysis of Financial Conditions and Results of Operation —Demand—Seasonality of Demand.”

## **Legal proceedings**

In the normal course of business, we are a party to lawsuits of various types. Our management evaluates the merit of each claim and assesses the likely outcome, recording an accrual in our financial statements for the related contingent liability when an unfavorable decision is probable and the amount may be reasonably estimated. At June 30, 2010, we had established accruals in the aggregate amount of Ps. 70.3 million to cover potential losses from such claims and legal proceedings. Except as disclosed below, we are not a party to any legal proceedings or claims that may have a material adverse effect on our financial position or results of operations.

## **Tax claims**

*Provincial tax claims.* On December 1, 2003, the Provincial Board of Electric Power of the Province of Buenos Aires initiated a claim against us in the amount of Ps. 51.2 million, which does not include surcharges, interest or penalties accrued in respect of this amount after the date of the claim. At December 31, 2003, the amount of surcharges and interest accrued on the claim, including applied penalties, was Ps. 310 million. In addition, on April 23, 2007, the Board notified us of an additional claim for Ps. 4.0 million, without including surcharges, interest or penalties accrued. The claims are based on an alleged failure to collect, as collection agent, in respect of certain taxes established by Decree Laws No. 7290/67 and No. 9038/78 between July 1997 and June 2001 and between July 2001 and June 2002, respectively. On December 23, 2003, we filed an appeal of the Board’s decision with the provincial Tax Court of Appeals of La Plata, and enforcement of the judgment was suspended pending the outcome of the appeal. On June 14, 2007, the Court granted our appeal and rejected the Board’s tax claim against us. On June 27, 2007 the provincial Tax Court of Appeals of Buenos Aires rendered a favorable decision in relation to our appeal. This decision reaffirms a recent decision by the Supreme Court of the Republic of Argentina in an unrelated case that held that the regulations were unconstitutional due to the commitment assumed by the Province of Buenos Aires not to tax the transfer of electric power. We have not established any accruals in our financial statements for this claim.

*Federal tax claims.* The Argentine federal tax authorities have challenged certain income tax deductions for allowance for doubtful accounts on our income tax returns for fiscal years 1996, 1997 and 1998, and have assessed additional taxes of approximately Ps. 9.3 million. Tax related contingencies are subject to interest charges and, in some cases, fines. We have appealed the tax authorities’ ruling before the Argentine federal tax court. During the appeal process payment for such claim is suspended. We have accounted for an accrual in our financial statements for the contingent tax liability related to this claim, including interest and penalties.

On April 27, 2009, in connection with this claim by the Argentine federal tax authorities we agreed to the tax regularization plan established in Law No. 26,476. The main features of the moratorium offered to participating companies are as follows:

- Waiver of fines and penalties on which no final judgment has been issued at the time of the company’s adherence to the regularization plan;
- Waiver of late payment/default and penalty interest in the amount exceeding 30% of the principal owed;
- An initial payment equal to 6% of the liability existing at the time of the company’s adherence to the regularization plan;
- The remaining balance payable in 120 monthly installments with a 0.75% monthly interest rate. 30% to 50% reduction in tax agents and AFIP (the Argentine tax authorities) attorneys’ fees.

In accordance with the assessment of the tax regularization plan, our debt amounts to Ps. 12.1 million plus interest amounting to Ps. 5.2 million. As of June 30, 2010, we had paid Ps. 2.0 million of this amount, thus the remaining balance of our debt totals Ps.10.1 million, excluding the interest amount. Although we expect that all federal tax claims against us will be dropped upon our payment of these amounts, we cannot assure you that this will be the case or that new tax claims will not be brought against us in the future.

### ***Environmental claims***

On May 24, 2005, three of our employees were indicted on charges of PCB-related environmental contamination dangerous to human health, which is a crime under Argentine law. In connection with this alleged infraction, the judge sought a pre-judgment attachment of our assets in the amount of Ps. 150 million to cover the potential cost of environmental damages and estimated clean-up costs. On May 30, 2005, we appealed the charges against our employees as well as the attachment order. On December 15, 2005, the court of appeals dismissed the charges against all three defendants for lack of evidence and, accordingly, vacated the attachment order. The decision by the court of appeals also stated that the trial judge should order the acquittal of two public officers of the ENRE, who had been indicted on related charges. This decision was appealed to the National Criminal Appellate Court (*Tribunal de Casación*), the highest appellate body for this matter, which on April 5, 2006 ruled that the appeal of the decision relating to our employees and our company was not admissible because decisions rendered on grounds of lack of evidence are not reviewable. On July 16, 2007, we were notified that on July 11, 2007, the trial judge issued acquittals for all of our officials and employees who had been indicted. On appeal on March 25, 2008, the First Court of the Federal Circuit of San Martín Sala (*I de la Cámara Federal de San Martín*) upheld the acquittals and confirmed the finding that there had been insufficient evidence to prove any PCB contamination. On April 18, 2008 the Attorney General (*Ministerio Público*) appealed this decision before the First Court of the Federal Circuit of San Martín and lost the appeal. On December 29, 2008, the Attorney General was notified that the National Criminal Appellate Court had rejected the appeal as well. In response, the Attorney General filed an “extraordinary appeal”, to which the defense responded. On May 27, 2009, the Tribunal dismissed the extraordinary appeal filed by the Attorney General on the grounds that it failed to specifically and reasonably refute the arguments that supported the resolution being appealed, and proved neither the alleged arbitrariness nor the violation of constitutional guaranties. The Attorney General filed an appeal (*Recurso de Queja*) to the Argentine Supreme Court requesting that the appeal dismissed by the National Criminal Appellate Court be sustained. As of the date of this offering memorandum, the appeal is under consideration by the Supreme Court.

### ***Proceedings challenging the renegotiation of our concession***

In November 2006, two Argentine consumer associations, ACIJ and Consumer’s Cooperative for Community Action, brought an action against us and the Argentine government before a federal administrative court seeking to block the ratification of the Adjustment Agreement on the grounds that the approval mechanism was unconstitutional. On March 26, 2007, the federal administrative court dismissed these claims and ruled in our favor on the grounds that the adoption of Executive Decree No. 1957/06, which ratified the Adjustment Agreement, rendered the action moot. ACIJ appealed this decision on April 12, 2007, and the appeal was decided in our favor. However, on April 14, 2008, ACIJ filed another complaint challenging the procedures utilized by the Argentine Congress in approving the Adjustment Agreement. Specifically, the claim alleges that Article 4 of Law No. 24,790, which authorized the Congress to tacitly approve agreements negotiated between the Argentine government and public service companies, such as us, violated the congressional procedures established in the Argentine Constitution. ACIJ has requested that the Adjustment Agreement be renegotiated and submitted to Congress for its express approval. We have responded to this complaint, which is in the sentencing period. However, we cannot make assurances regarding how this latest complaint will be resolved nor can we make assurances that other actions or requests for injunctive relief will not be brought by these or other groups seeking to reverse the adjustments we have obtained or to block any further adjustments to our tariffs.

### ***Preliminary Injunction of the Public Ombudsman***

On October 31, 2008, the Secretary of Energy approved the seasonal reference prices of power and energy in the WEM. Consequently, the ENRE applied the new rate schedule as of October 1, 2008. The new rate schedule passed the purchase price of electricity as well as the other costs related to the WEM, including transmission, to the final customer.

In response to the new tariff schedule, the National Public Ombudsman (*defensor del pueblo de la nación*) filed a claim opposing the resolutions establishing the October 1, 2008 tariff schedule and naming us as a third-party defendant. On January 27, 2009, the ENRE notified us of a preliminary injunction, as a result of the Ombudsman's claim, pursuant to which we were ordered to refrain from cutting the energy supply to customers challenging the October 2008 tariff increase until a decision is reached with respect to the claim. We, along with the Argentine government, have appealed this injunction through various legal actions, and the resolution of our most recent appeal is still pending as of the date of this offering memorandum.

On August 14, 2009, the Secretary of Energy issued Resolution No. 652/09, which ordered the suspension of the certain reference market prices of energy, and established new reference prices for the periods from June to July 2009 and from August to September 2009, reinstating partial government subsidies to the electricity generation sector. Furthermore, the resolution also established the unsubsidized reference market prices of energy for the months of June and July 2009 and August to October 2009.

On October 26, 2009, we received notice of a complaint filed by two consumer associations, Consumer's Cooperative for Community Action and the *Unión de Usuarios y Consumidores* against the Argentine government, the ENRE, Edesur, Edelap and us. In accordance with the terms of the complaint, two additional associations for the defense of consumer rights, Association for the Legal Defense of Consumers (*Asociación de Defensa de los Derechos de los Usuarios y Consumidores*) and Consumers Union Legal Defense (*Unión de Usuarios y Consumidores en Defensa de sus Derechos*), have joined the complaint.

The remedies sought in the complaint are as follow:

- that all the most recent resolutions concerning electricity rates issued by the ENRE and the Secretary of Energy be declared null and unconstitutional, and, as a consequence that the amounts billed by virtue of these resolutions be refunded.
- that all the defendants be required to carry out the RTI.
- that the resolutions issued by the Secretary of Energy that extend the transition period of the Adjustment Agreement be declared null and unconstitutional.
- that the defendants be ordered to carry out the sale process, through an international public bidding, of their respective class "A" shares, due to the fact that the management period of the respective concessions has ended.
- that the resolutions as well as any act performed by a governmental authority that modify contractual renegotiations be declared null and unconstitutional.
- that the resolutions that extend the management periods contemplated in the defendant's respective concessions be declared null and unconstitutional.
- alternatively, should the main claim be rejected, that the defendants be ordered to bill all customers on a bimonthly basis.

Additionally, the plaintiffs requested that the court issue a preliminary injunction suspending the rate hikes established in the resolutions questioned by the plaintiff. Alternatively, the plaintiffs requested that the application of the resolutions be partially suspended. Finally, the plaintiffs also requested that the application authority be ordered not to issue new increases other than within the framework of the RTI process. As of the date of this offering memorandum, the court has neither granted nor rejected these requests.

We can give no assurance that these actions or other potential future actions or requests for injunctive relief will not reverse the adjustments we have obtained or block any further adjustments to our tariffs.

### ***Breach of contract claims***

In March 2010 *Consumidores Financieros, Asociación Civil Para Su Defensa*, a consumers' association, instituted an action against us and Edesur in the National Court of First Instance in Federal Administrative Claims Tribunal No. 2, Secretariat 3 (*Juzgado Nacional de Primera Instancia en lo Contencioso Administrativo Federal N° 2, Secretaría 3*) seeking repayment to users for alleged excess charges over the course of the past 10 years. The action is based on three claims. First, the plaintiffs claim a refund for the percentage payment of VAT over a taxable base they allege was inappropriately increased to include an amount that exceeded our and Edesur's own payments to the wholesale electricity market. Second, the plaintiffs claim a refund for charges relating to interest on payments by customers that the plaintiffs claim we and Edesur failed to adjust to reflect the actual number of days the payment was outstanding. Finally, the plaintiffs claim a refund for late payment charges from 2008 onwards calculated at the rate of the *tasa pasiva* (the interest rate that *Banco de la Nación Argentina* pays on deposits) in alleged contravention of the Law of Consumer Defense (*Ley de Defensa del Consumidor*) in April 2008. We have given express directions to our legal advisors to contest the suit and all related claims and on April 22, 2010, we answered the complaint and filed a motion to dismiss for lack of standing on the part of the plaintiffs. While we expect to prevail in this matter, an adverse decision could have a material adverse effect on our results of operations.

We can give no assurance that these actions or other potential future actions or requests for injunctive relief will not reverse the adjustments we have obtained or block any further adjustments to our tariffs.

### **Employees**

As of June 30, 2010 we had 2,688 full-time employees and 35 part-time employees, for a total of 2,723 employees, as of December 31, 2009, we had 2,691 full-time employees and 30 part-time employees, for a total of 2,721 employees, as of December 31, 2008, we had 2,487 full-time employees and 38 part-time employees, for a total of 2,525 employees, and as of December 31, 2007 we had 2,465 full-time employees and 43 part-time employees, for a total of 2,508 employees. As of June 30, 2010, approximately 81% of our full-time employees are subject to two collective bargaining agreements. After the privatization, an employee reduction plan was implemented to reduce the number of employees from 6,368 employees at the time of the privatization. The employee reductions were primarily effected through an early retirement program. In addition, we implemented an early retirement plan for those employees who had made the payments required by law and had less than five years before retirement, offering them monthly payments of 80% of their pre-retirement net salary. Access to this plan is conditioned upon our own approval and the prior separation from our company under an agreement signed before the Argentine Ministry of Labor. In July 1995, we signed two collective bargaining agreements with *Sindicato de Luz y Fuerza* and *Asociación del Personal Superior*, the two unions that represent our employees. In accordance with the union agreements, which have been revised since 1995 but remain in effect, we created a mediation commission to interpret the agreements and analyze claims and unresolved issues that arise in our daily activities. The most common issues that arise deal with changes to employment categories, relocation of employees, detailed situations with personnel and the analysis of the suitability of different technological advancements. Currently, our relations with the unions are stable. However, we cannot guarantee that we will not experience any conflicts with our employees in the future, including with our unionized employees in the context of future negotiations of our collective bargaining agreements, which could result in events such as strikes or other disruptions that could have a negative impact on our operations.

We have outsourced a number of activities related to our business to third party contractors in order to achieve a lower and more flexible cost base and to provide us with the ability to respond more quickly to changes in our market. We had approximately 3,611 third-party employees under contract with our company as of December 31, 2009, 3,029 as of December 31, 2008 and 3,612 as of December 31, 2007, and as of June 30, 2010 we had approximately 3,430 third-party employees. We calculate our number of third-party employees based on the number of employees we have under contract, which does not directly relate to the number of third-party employees performing services for our company at any given time, as we only pay for services of these employees on an as-needed basis although they remain under contract for specified periods. Although we have very strict policies regarding compliance with labor and social security obligations by our contractors, we are not in a position to ensure that, if conflicted, contractors' employees will not initiate legal actions to seek indemnification from us based upon a number of judicial rulings issued by labor courts in Argentina recognizing joint and several liability between the contractor and the entity to which it is supplying services under certain circumstances. As of June 30, 2010, contractors' employees were seeking indemnification from us for an aggregate amount of Ps. 72.8 million, including

legal fees and interest and as of such date, based on legal advice, have recorded accruals for an aggregate amount of Ps. 34.8 million to cover the liabilities we may have in connection with such claims.

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

Our main properties are transmission lines, substations and distribution networks, all of which are located in the northwestern area of the greater Buenos Aires metropolitan area and the northern area of the City of Buenos Aires. Substantially all of our properties are held in concession to provide the electricity distribution service, which, by nature, is considered to be an essential public service. In accordance with Argentine legislation and court precedents, assets which are affected to rendering an essential public service are not subject to attachment or attachment in aid of execution and therefore, enforcement of judgments against us may be substantially limited. The net book value of the property, plant and equipment recorded on our balance sheet as of June 30, 2010 was Ps. 3,585.9 million. The net book value of the property, plant and equipment recorded on our balance sheet as of December 31, 2009, 2008 and 2007 was Ps. 3,482.4 million, Ps. 3,256.3 million and Ps. 3,092.7 million, respectively.

Our gross asset base represents property, plant and equipment related to our distribution services. Because our total property, plant and equipment represents substantially the same assets, but calculated at historical cost as adjusted by inflation through February 2003, we believe the inflation-adjusted value of our property, plant and equipment is an accurate measure of our asset base for purposes of calculating our return on our assets. See “Management’s Discussion and Analysis of Financial Conditions and Results of Operation —Tariffs— Integral Tariff Revision (*Revisión Tarifaria Integral*, or RTI).” The last adjustment for inflation to our property, plant and equipment was registered in February 2003 in accordance with Argentine GAAP. Accordingly, we estimate the effects of inflation on our property, plant and equipment for periods after February 2003 for purposes of determining the value of our gross asset base in connection with our concession. See Note 2 to our audited and unaudited financial statements included elsewhere in this offering memorandum.



## MANAGEMENT

### Board of directors

Our business and affairs are managed by our board of directors in accordance with our bylaws and the Argentine Companies Law. Our bylaws provide that our board of directors will consist of twelve directors and up to the same number of alternate directors. Pursuant to the Argentine Companies Law, a majority of our directors must be residents of Argentina.

Our bylaws provide that holders of our Class A shares are entitled to elect seven directors and up to seven alternate directors, one of which must be independent in accordance with CNV regulations, holders of our Class B and Class C shares are entitled to elect five directors and up to five alternate directors, one of which must be independent in accordance with CNV regulations. Holders of Class C shares vote jointly as a single class with the holders of Class B shares in the election of directors. In the absence of a director elected by holders of a class of shares, any alternate director elected by holders of the same class may legally attend and vote at meetings of our board of directors. The board of directors elects among its members a chairman and a vice president.

Directors and alternate directors serve for one-year periods, indefinitely renewable.

Our directors and alternate directors are as follows:

Name	Position	Age	Year of appointment (class electing director)
Alejandro Macfarlane	Chairman and CEO	44	2010 (Class A)
Marcos Marcelo Mindlin**	Vice Chairman	46	2010(Class A)
Damián Miguel Mindlin**	Director	44	2010 (Class A)
Gustavo Mariani	Director	39	2010 (Class A)
Luis Pablo Rogelio Pagano	Director	56	2010 (Class A)
Eduardo Llanos*	Director	66	2010 (Class A)
Maximiliano Alejandro Fernández*	Director	50	2010 (Class A)
Ricardo Alejandro Torres	Director	52	2010 (Class B/C)
Diego Martín Salaverri	Director	45	2010 (Class B/C)
Edgardo Alberto Volosín	Director	56	2010 (Class B/C)
Alfredo MacLaughlin *	Director	67	2010 (Class B/C)
Eduardo Orlando Quiles*	Director	67	2010 (Class B/C)
Javier Douer	Alternate Director	36	2010 (Class A)
Pablo Díaz	Alternate Director	52	2010 (Class A)
Brian Henderson	Alternate Director	64	2010 (Class A)
Jorge Miguel Grecco	Alternate Director	49	2010 (Class A)
Ariel Schapira	Alternate Director	48	2010 (Class A)
Ricardo Sericano	Alternate Director	61	2010 (Class A)
Jaime Barba	Alternate Director	46	2010 (Class A)
Maia Chmielewski	Alternate Director	30	2010 (Class B/C)
Gabriel Cohen	Alternate Director	45	2010 (Class B/C)
Alejandro Mindlin**	Alternate Director	34	2010 (Class B/C)
Rafael Mancuso*	Alternate Director	67	2010 (Class B/C)
Eduardo Maggi	Alternate Director	54	2010 (Class B/C)

\* Independent under Argentine law and under Rule 10A-3 under the Securities Exchange Act of 1934, as amended.

\*\* The following family relationships exist within the board of directors: Marcos Marcelo Mindlin, Damián Miguel Mindlin and Alejandro Mindlin are brothers.

The following is a brief description of our current directors' and alternate directors' background, experience and principal business activities:

*Alejandro Macfarlane.* Mr. Macfarlane has been the chairman of the board of directors and CEO of Edenor since 2005. He serves as president of ADEERA, the pre-eminent electricity distributors association of Argentina, since September 2005. Mr. Macfarlane is also a member of the board of directors of Macro Bansud Bank and San

Antonio International SRL. He was a board member of YPF S.A. and has been a member of YPF Foundation since 1999. He is the president of Grupo AM S.A., a corporate and institutional relationships consulting firm. He is member and director of the Argentinean Business Development Institute (*Instituto para el Desarrollo Empresarial Argentino*, or IDEA) and a member of the Argentinean Council for International Relationships (*Consejo Argentino para las Relaciones Internacionales*, or CARI).

*Marcos Marcelo Mindlin.* Mr. Mindlin has been a member of the board of directors of Edenor since 2005. Mr. Mindlin has been the vice chairman of Edenor since 2005. Mr. Mindlin currently serves as the chairman of Pampa Energía S.A. and as chairman of the CADE, an Argentine energy services institution. From 1991 to 2003, Mr. Mindlin was the founding partner, vice chairman and CFO of IRSA (Inversiones y Representaciones S.A.) a leading Argentine real estate firm, and director of Banco Hipotecario S.A., the leading mortgage bank in the country. In November 2003, Mr. Mindlin resigned from the IRSA Group to focus his efforts on Grupo Dolphin S.A., an Argentine investment advisory and private equity firm created in 1990 based in Argentina of which Mr. Mindlin is a founding shareholder. Mr. Mindlin received an MBA from the Universidad del Centro de Estudios Macroeconómicos and a degree in business administration from the Universidad de Buenos Aires. In 2002, Mr. Mindlin founded and managed a non-governmental organization called Foundation for the Popular Initiative, whose objective is to create political space for citizens to present popular initiatives in Congress. In 2008, he founded *Fundación todo por los chicos*, whose principal objective is to assist vulnerable children. In addition, Mr. Mindlin formerly served as president of the executive committee of Tzekada, a foundation of the judeo-argentine community and he is a member of the Council of the Americas.

*Damián Miguel Mindlin.* Mr. Mindlin has been a member of the board of directors of Edenor since 2005. Mr. Mindlin is a shareholder and director of Grupo Dolphin S.A., an Argentine investment advisory and private equity firm founded in 1990, and is vice chairman of Pampa Energía S.A. Mr. Mindlin is also a member of the board of directors of Pampa Participaciones S.A., Pampa Real Estate S.A., Compañía Buenos Aires S.A., Powerco S.A. Central Térmica Güemes S.A. and Pampa Participaciones II S.A. and as vice chairman of Comunicaciones y Servicios S.A., Dilurey S.A., Inversora Güemes S.A., Transelec Argentina S.A., Grupo Dolphin S.A., Dolphin Energía S.A., IEASA S.A., Electricidad Argentina S.A. and Transba S.A. He also serves as a member of the board of directors of Citelec S.A., Dolphin Finance S.A., Hidroeléctrica Los Nihuiles S.A., Hidroeléctrica Diamante S.A., Préstamos y Servicios S.A., Inversora Dimante S.A., Inversora Nihuiles S.A., Inversora Ingentis S.A., Central Piedra Buena S.A., Corporación Independiente de Energía S.A. and as an alternate member of the board of directors of Transener and Ingentis S.A.

*Gustavo Mariani.* Mr. Mariani has been a member of the board of directors of Edenor since 2005. Mr. Mariani is a member of the board of directors and a managing director of Grupo Dolphin S.A., an Argentine investment advisory and private equity firm. He joined Grupo Dolphin S.A. in 1993, as an analyst and then served as a portfolio manager. He served as financial and corporate director of IRSA Inversiones y Representaciones S.A. Currently, he also serves as member of the board of directors of each of EASA, IEASA, Dolphin Energía, Transba, Pampa Energía S.A., Pampa Advisors S.A., Citelec, Transener and Dolphin Finance S.A., and alternate director for Transener S.A. and Citelec S.A. Mr. Mariani has an MBA from Universidad del Centro de Estudios Macroeconómicos and a degree in economics from the Universidad de Belgrano in Buenos Aires. He is a certified financial analyst since 1998.

*Luis Pablo Rogelio Pagano.* Mr. Pagano has been a member of the board of directors of Edenor since 2005. Mr. Pagano is the chief financial officer of Edenor and was also a managing director of Grupo Dolphin S.A. Prior to joining Grupo Dolphin S.A. in 2002, Mr. Pagano held various positions, including general partner and managing director for Newbridge Latin America, investment banking director for Deutsche Morgan Grenfell in Argentina, vice president and investment banking director for Citibank N.A. and chief financial officer for Argentina, Brazil, Paraguay, Uruguay and Chile of Bank of America NTSA. Mr. Pagano received an MBA from the Instituto de Estudios Superiores de la Empresa (IESE), in Spain and both a CPA and BA in Business Administration from the Universidad Católica Argentina.

*Eduardo Llanos.* Mr. Llanos has been a Director of Edenor since 2008. Mr. Llanos served as a member of the Supervisory Committee of Televisión Federal S.A. (Telefé), Telefónica de Argentina S.A. y Telefónica Holding Argentina S.A. From 1969 to 2000, Mr. Llanos worked at Arthur Andersen / Pistrelli, Diaz y Asociados, in the Auditing Division and the Tax Division. When he left Arthur Andersen, Mr. Llanos was an International Partner, the Director of Tax Practice for Argentina, Chile, Uruguay, Paraguay and Boliva and the Director of Operations in

Bolivia. From 2000 to 2003, Mr. Llanos was a partner at Estudio E. Llanos y Asociados. Throughout his career, Mr. Llanos has taught tax and public finance classes at Universidad de Buenos Aires, Universidad Nacional de Lomas de Zamora and Universidad de Morón. Mr. Llanos graduated with a degree in public accounting from the Universidad de Buenos Aires in 1971.

*Maximiliano Alejandro Fernández.* Mr. Fernández has been a director of Edenor since 2007 and has served as a director of EASA since 2005. He has been an associate at Impsat Fiber Network since 1998, and currently serves as president of Red Alternative S.A. Mr. Fernández served as the chairperson of Alternativa Gratis S.A, which he founded along with IRSA, until its merger in 2005. Since 1991, he has worked as an independent contractor in the telecommunications industry, and, together with Martín Varsavsky, founded, and until 1995 directed, VIATEL S.R.L. Each of the companies mentioned is a telecommunications company. Mr. Fernández is an industrial engineer and graduate of the Universidad de Buenos Aires.

*Ricardo Alejandro Torres.* Mr. Torres has been a director of Edenor since 2007, and served as an alternate director from 2006 through 2007. Mr. Torres has been chief executive officer of Pampa Energía S.A. since November 2005, before which he was a partner of Darwin Inversiones S.A. From 1993 through 2001, Mr. Torres was chief financial officer of IRSA Inversiones y Representaciones S.A. and a director of Alto Palermo S.A., Brazil Realty Empreendimentos e Participações S.A., Abril S.A. and Inversora Bolívar S.A. Mr. Torres was also a professor of finance and taxes at the Faculty of Economic Sciences of the University of Buenos Aires. He currently serves as a member of the board of directors of Pampa Advisors S.A. and Educaria, a private equity fund specializing in the education sector. Mr. Torres is a public accountant with a degree from the University of Buenos Aires and holds an MBA from the Universidad Austral.

*Diego Martín Salaverri.* Mr. Salaverri has been a member of the board of directors of Edenor since 2007. He is a founding partner of the Argentine law firm of Errecondo, Salaverri, Dellatorre, González & Burgio. He earned a degree in law in 1988 from the Universidad Católica Argentina, Buenos Aires. He is member of the board of directors of Pampa Energía, Laboratorios Northia SACIFIA, Dico S.A. a Formosa Refrescos S.A. and Estancia Maria S.A. He also is a member of the supervisory committee of Dolphin Credits S.A., Pampa Generación S.A., Pampa Participaciones S.A., Pampa Participaciones II S.A., Pampa Real Estate S.A., Energía Distribuida S.A., Inversora Güemes S.A. and Grupo STSA. Until 2007, he was a member of the board of directors of EASA. Mr. Salaverri resigned from his position as director of EASA at the November 14, 2007 meeting of the board of directors of EASA. Mr. Salaverri is also an Alternate Member of the statutory audit committee of Inversora Diamante S.A., Compañía Buenos Aires S.A., Inversora Nihules S.A., GSF S.A., Maltería del Puerto S.A. and Transelec Argentina S.A.

*Edgardo Alberto Volosín.* Mr. Volosín has been a member of the board of directors of Edenor since 2005. In addition, Mr. Volosín served as Director of Human Resources and Legal Affairs of Edenor since our privatization in 1992 through July 2002 and currently serves as Director of Corporate Affairs, a position he has held since August 2002. Mr. Volosín holds a degree in Law from the Universidad de Belgrano in Buenos Aires.

*Alfredo MacLaughlin.* Mr. MacLaughlin became a member of the board of directors of Edenor in 2010. He is a licensed attorney and practiced as Counsel at the Argentine law firm of Cárdenas, Cassagne. In addition, Mr. MacLaughlin served as Secretary of Finance of the Republic of Argentina from December 2005 until December 2006, and has held various other business and finance positions, including that of Executive Member of Banco Hipotecario Nacional, President of Deutsche Morgan Grenfell, Argentina, Secretary General of the Bolsa de Comercio de Buenos Aires, and Director of Telefónica de Argentina S.A. Mr. MacLaughlin was also a Director of Edesur from 2001 through 2005.

*Eduardo Orlando Quiles.* Mr. Quiles has been a member of the board of directors since 2009. Between 1965 and 1971 he served as the Light and Power Union of the Capital (*Sindicato de Luz y Fuerza de Capital Federal*) in the Treasury and Accounting Department. Subsequently, he worked as general accountant at Credit Union of Light and Power (*Cooperativa de Crédito Luz y Fuerza Ltda.*) until 1980. Between 1980 and 1985 he served as tax chief in Petersen Thiele y Cruz S.A. He holds a CPA from the Universidad de Buenos Aires and he has a master degree in professional independent bureau in taxes and audit.

*Javier Douer.* Mr. Douer has been an alternate director of Edenor since 2005. He has held various positions with Grupo Dolphin S.A. since 2000 and currently is chief administrative officer for a group of portfolio companies. Mr. Douer holds a bachelor's degree in business administration from the Universidad de Palermo, in Buenos Aires, as well as a master's degree in capital markets from the Universidad de Buenos Aires.

*Pablo Díaz.* Mr. Díaz has been an alternate director of Edenor since 2005. Mr. Díaz currently serves as an advisor to the president of Grupo Dolphin S.A. He also serves as an alternate director at Transba S.A. and a Director of Inversora Ingentis S.A., Inversora Nihuiles S.A., Inversora Diamante S.A., Pampa Participaciones II S.A., Central Térmica Güemes S.A., Corporación Independiente de Energía S.A., Hidroeléctrica Diamante S.A., Hidroeléctrica Nihuiles S.A., Citelec S.A. and Transener S.A. Previously, he was an Advisor at the Argentine Undersecretary for Electrical Energy (*Subsecretaría de Energía Eléctrica*) and has held various positions in the electricity industry.

*Brian Henderson.* Mr. Henderson has been an alternate director of Edenor since 2005. He has been a technical advisor to Grupo Dolphin S.A. since 2003. He also serves as president of Central Piedra Buena S.A. and Corporación Independiente de Energía S.A. Mr. Henderson is also a director of Citelec, Transener S.A., Inversora Nihuiles S.A., and Central Térmica Güemes S.A. and an alternate director of Dolphin Energía S.A., Transba S.A., Powerco S.A., IEASA S.A., Inversora Ingentis S.A., Termoeléctrica San Martín S.A., Termoeléctrica Manuel Belgrano S.A., Pampa Participaciones II S.A., Pampa Generación S.A. and Inversora Güemes S.A. Previously, Mr. Henderson served as Director of Latin America for National Grid (UK), president of the board of directors of Transener, Citelec and Transba. He was director of Silica Networks and Manquehue Net Telecomunicaciones (Chile) and vice president of commercial operations of Charter Oak Energy in America, Africa and Europe. Mr. Henderson was Vice Chairman and General Manager of Deutsche Babcock Riley, Canada Inc. Mr. Henderson has a degree in electrical engineering from Hebburn College.

*Jorge Miguel Grecco.* Mr. Grecco has been an alternate director of Edenor since 2006. Mr. Grecco served as director of external relations of Edenor since 2005. Mr. Grecco has also held positions in various media companies, including Grupo América, Grupo Cimeco, Infobae, Perfil, Clarín, El Heraldo de Buenos Aires, Trespuntos and Somos. Mr. Grecco is also a professor of journalism at the University of Belgrano and is a published author.

*Ariel Schapira.* Mr. Schapira has been an alternate director of Edenor since 2007. In addition, since 2007, Mr. Schapira has served as the director of new business for Grupo Dolphin S.A. Previously, from 2004 to 2007, he served as the regional director for Latinamérica at Telefónica Móviles S.A., vice president of marketing and customer operations of Bellsouth International in Atlanta from 2001 to 2004, manager of marketing and new business for Compañía de Radiocomunicaciones Móviles S.A. (Movicom Bellsouth) from 1995 to 2001, CEO and general manager of Radiomensaje S.A. (a joint-venture with Motorola) from 1995 to 1997, and general manager of Pouyet Tecsel S.A. from 1991 to 1995. Mr. Schapira is an industrial engineer. He graduated from the Universidad de Buenos Aires.

*Ricardo Sericano.* Mr. Sericano has been an alternate director at Edenor since 2007. In addition, he has served as the technical director of Edenor since December 2006. Previously, he served as manager of engineering and investment and manager of supplies and logistics. Before the privatization of the company, Mr. Sericano served in various offices at ITALO and SEGBA. He is a mechanical-electrical engineer. He received his degree in 1972 from the Facultad de Ingeniería de la Universidad de Buenos Aires, where he also taught for 23 years.

*Jaime J. Barba.* Mr. Barba has been an alternate director at Edenor since 2009. He also served as legal manager and secretary of the board of directors at Edenor. In addition, he is a director and member of the executive committee at CAMMESA, and a member of the supervisory committees at Petropack S.A. and Centro de Movimiento de Energía S.A. (SACME). Between 1996 and 2004 he worked in various positions at EDEERSA (*Empresa Distribuidora de Energía Entre Ríos SA*). Mr. Barba holds a degree in law from the Universidad Nacional del Litoral and a master's from the Direct Development Program at IAE.

*Maia Chmielewski.* Ms. Chmielewski has been an Alternate Director at Edenor since 2007. She also serves as an Alternate Director of CIESA S.A. and CPB S.A. Ms. Chmielewski serves in the investment group of Pampa Energía S.A. Ms. Chmielewski holds both a Bachelor's degree in Business Economics and in Economics from the Universidad Torcuato Di Tella in Buenos Aires.

*Gabriel Cohen.* Mr. Cohen has been an Alternate Director of Edenor since 2005. He also has served since 2004 on the board of directors of Citelec, and as Alternate Director of Transba. In addition, he worked at Citibank, N.A. for fifteen years, serving at the bank's offices in Buenos Aires and Paris, where he has acquired sound experience in debt restructuring processes. Mr. Cohen holds a degree in Business Administration from the Universidad de Buenos Aires.

*Alejandro Mindlin.* Mr. Mindlin has been an alternate director of Edenor since 2005. Mr. Mindlin is an alternate director of Pampa Energía where he serves in the institutional relations and communications department. He is also an alternate director of EASA. Prior to joining Pampa Energía, Mr. Mindlin served in the marketing group of Grupo Dolphin S.A. Mr. Mindlin has a bachelor's degree in middle eastern history and languages from the Tel Aviv University, as well as a film director's degree.

*Eduardo Maggi.* Mr. Maggi has been an alternate director at Edenor since 2007. He was appointed director of operations of Edenor in 2001. Mr. Maggi currently serves as a director of SACME, which is responsible for the management of regional high-voltage distribution in the greater Buenos Aires metropolitan area and for coordinating, controlling and supervising the operation of the generation, transmission and sub-transmission network in the City of Buenos Aires. Previously, Mr. Maggi served as director of operations of two of Edenor's operation areas, San Martín and Morón. Mr. Maggi began his career at Edenor as a technical manager. Mr. Maggi received a degree in engineering from the Universidad Tecnológica Nacional and an MBA from the Universidad del Salvador y Deusto.

*Rafael Mancuso.* Mr. Mancuso has been an alternate director at Edenor since 2009. During 2008 and 2007 he has served as member of the board of directors at Edenor. He has served as the general manager of OSTEE since 1993. He was the general undersecretary of the Electric Light and Power Labor Union of the City of Buenos Aires (*Sindicato de Luz y Fuerza de la Capital Federal*) from 1991 through 1999, for which he also has served as secretary of social responsibility since 1993. Mr. Mancuso served as a member of the board of directors of Central Puerto S.A. from 1993 through 1997.

### **Board Practices**

The duties and responsibilities of the members of our board of directors are set forth in Argentine law and our bylaws. Under Argentine law, directors must perform their duties with loyalty and the diligence of a prudent business person. Directors are prohibited from engaging in activities that compete with our company without express authorization of a shareholders' meeting. Certain transactions between directors and our company are subject to ratification procedures established by Argentine law.

On May 22, 2001, the Argentine government enacted the Transparency Decree with the aim of creating an adequate legal framework to strengthen the level of protection of investors in the market. Other objectives of the Transparency Decree were to promote the development, liquidity, stability, solvency and transparency of the market, generating procedures to guarantee the efficient distribution of savings and good practices in the administration of corporations.

The Transparency Decree imposes the following duties on members of the board of directors of Argentine public companies:

- a duty to disclose all material events related to the company, including any fact or situation which is capable of affecting the value or trading of the securities of the company;
- a duty of loyalty and diligence;
- a duty of confidentiality; and
- a duty to consider the general interests of all shareholders over the interests of controlling shareholders.

There are no agreements between our company and the members of our board of directors that provide for any benefits upon termination of their designation as directors.

None of our directors maintains service contracts with us except as described in “Principal Shareholders and Related Party Transactions – Related Party Transactions.”

The significant differences between our corporate governance practices and the NYSE standards are listed on our website in compliance with the NYSE requirements.

#### **Executive committee**

On October 4, 2007, our board of directors created an executive committee, as contemplated by our by-laws and Law 19.550, and delegated to the executive committee the authority to take certain actions on behalf of the board. The executive committee complements the work of the board by executing certain day-to-day tasks required for overseeing our company. By creating an executive committee, the board sought to increase the efficiency with which our company is directed. The Executive Committee consists of Alejandro Macfarlane, Marcos Marcelo Mindlin, Damián Mindlin, Gustavo Mariani, Ricardo Torres and Rogelio Pagano.

#### **Audit committee**

Pursuant to the Transparency Decree and CNV rules, Argentine public companies must appoint an audit committee (*comité de auditoría*) composed of at least three members of the board of directors, a majority of which must be independent in accordance with Argentine law.

Pursuant to our bylaws, one director is appointed by holders of our Class A shares and one by holders of our Class B shares. Our audit committee’s duties include:

- monitoring our internal control, administrative and accounting systems;
- supervising the application of our risk management policies;
- providing the market adequate information regarding conflicts of interests that may arise between our company and our directors or controlling shareholders;
- rendering opinions on transactions with related parties; and
- supervising and reporting to regulatory authorities the existence of any kind of conflict of interest.

The members of our audit committee are:

<u>Name</u>	<u>Position</u>	<u>Class electing member</u>
Alfredo MacLaughlin	Member	Class B
Maximiliano Alejandro Fernández	Member	Class A
Eduardo Llanos	Member	Class A

Each of the members of our audit committee is independent under Argentine law and under Rule 10A-3 under the Securities Exchange Act of 1934.

## Senior management

The following table sets forth information regarding our senior management:

<u>Name</u>	<u>Current Position</u>	<u>Age</u>
Alejandro Macfarlane.....	Chief Executive Officer	44
Luis Pablo Rogelio Pagano .....	Chief Financial Officer	56
Daniel Eduardo Flaks .....	Technical Director	45
Eduardo Maggi.....	Director of Operations	54
Victor Augusto Ruiz .....	Principal Accounting Officer	50
Jorge Miguel Grecco.....	Director of External Relations	49
Edgardo Alberto Volosín .....	Director of Corporate Affairs	56

*Victor Augusto Ruiz.* Mr. Ruiz began working at Edenor in 1992. He was one of the original partners from the consortium that participated in the privatization of our company. He was part of the Grupo ASTRA CAPSA (*Astra Compañía Argentina de Petroleo S.A.*). Between 1992 and 2006, he worked as financial statements sub-manager and accounting sub-manager at Edenor. Between 2006 and 2008, he worked as tax manager and since August 2008 he has worked as principal accounting officer. He is a consultant member of the Tax Commission and the Accounting Rules and Public Offering Commission at the Chamber of Businesses (*la Cámara de Sociedades Anónimas*). Mr. Ruiz holds a CPA from la Universidad de Buenos Aires and an MBA from la Universidad del Salvador in Argentina and Deusto in Spain.

*Daniel Eduardo Flaks.* Mr. Flaks joined Edenor in 1993. Between 1993 and 2003, he served as department head and assistant manager in the areas of San Justo and Olivos. Between 2003 and 2006, he worked first as business manager and later as operations manager of the areas of Olivos and Pilar. Between 2006 and 2010, he worked as manager of distribution, responsible for directing, coordinating and controlling the technical and commercial operations of Edenor relating to the operation of the high, medium and low voltage facilities, control centers and commercial operations referring mainly to the attention of customers and the relationship with municipal governments and the ENRE. He currently serves as technical director of Edenor. Between 1993 and 1998, he was assistant professor of electrical power systems at Universidad Tecnológica Nacional. Mr. Flaks has a degree in electrical engineering from the Universidad Tecnológica Nacional and holds an MBA from the Universidad del Salvador in Argentina.

## Supervisory committee

Argentine law requires certain corporations, such as our company, to have a supervisory committee (*Comisión Fiscalizadora*). The supervisory committee is responsible for overseeing compliance with our bylaws, shareholders' resolutions and Argentine law and, without prejudice to the role of external auditors, is required to present to the shareholders at the annual ordinary general meeting a written report on the reasonableness of the financial information of the Company's offering memorandum and the financial statements presented to the shareholders by our board of directors. The members of the supervisory committee are also authorized to attend board of directors, audit committee and shareholders' meetings, call extraordinary shareholders' meetings, and investigate written complaints of shareholders holding at least 2% of our outstanding shares. Pursuant to Argentine law, the members of the supervisory committee must be licensed attorneys or certified public accountants.

Our bylaws provide that our supervisory committee must consist of three members and three alternate members, elected by our shareholders at an ordinary meeting. Members of our supervisory committee are elected to serve one-year terms and may be re-elected. Pursuant to our bylaws, holders of our Class A shares are entitled to appoint two members and two alternate members of the supervisory committee and holders of our Class B and Class C shares are entitled to collectively appoint one member and one alternate member.

The members and alternate members of our supervisory committee are:

<u>Name</u>	<u>Position</u>	<u>Year of appointment (class electing member)</u>
Javier Errecondo.....	Member	2010 (Class A)
José Daniel Abelovich <sup>(1)</sup> .....	Member	2010 (Class A)
Jorge Roberto Pardo.....	Member	2010 (Class B/C)
Santiago Dellatorre.....	Alternate member	2010 (Class A)
Marcelo Fuxman <sup>(1)</sup> .....	Alternate member	2010 (Class A)
Alejandro Gabriel Turri <sup>(1)</sup> .....	Alternate member	2010 (Class B/C)

(1) Independent under Argentine law.

*Javier Errecondo.* Mr. Errecondo is a founding partner of the Argentine law firm Errecondo, Salaverri, Dellatorre, González & Burgio. He earned a degree in law in 1985 from the Universidad de Buenos Aires. He is a director of Dolphin Créditos S.A., Nortel Inversora S.A., Patagonia Oil and Gas S.A., PSA Energy Argentina S.A. and PSA Energy Mendoza S.A.; and an alternate director of Dico S.A. In addition, he is a member of the statutory audit committees of IEASA, Dolphin Energía, Desarrollos Caballito S.A., Pegasus Realty S.A., O.P.M. Inmobiliaria S.A., Entertainment Depot S.A., EDEN S.A., FinanGroup S.A., GSF S.A., Grupo Unión S.A., Farmacity S.A., Freddo S.A., AESEBA S.A., Canepa Hermanos SAICAF, Central Térmica Loma de la Lata S.A., Chain Services S.A., Grupo Los Grobo S.A., LM Los Grobo S.A., Los Grobo Agropecuaria S.A., Los Grobo Inversora S.A., Los Grobo San Pedro S.A., Los Grobo Servicios S.A., Los Silos del 13 de Abril S.A., Maltería del Puerto S.A., Pampa Participaciones S.A., Pampa Real Estate S.A., Partners I S.A., TGLT S.A. and Transelec Argentina S.A. Mr Errecondo is also an alternate member of the statutory audit committee of BA Mall S.R.L., Cablevisión S.A., EASA, Energía Distribuida S.A., Grupo S.T. S.A., Inversora Guemes S.A., Pampa Cheese S.A., Pampa Generación S.A., Pampa Participaciones II S.A. and Estancia María S.A.

*José Daniel Abelovich.* Mr. Abelovich obtained a degree in accounting from the Universidad de Buenos Aires. He is a senior partner of the audit firm Abelovich, Polano & Asociados SRL/Nexia International, an accounting firm in Argentina. Formerly, he had been a manager of Harteneck, Lopez y Cia, Coopers & Lybrand and has served as a senior advisor for the World Bank. He is a member of the supervisory committees of Pampa Energía S.A., Transener SA, Cresud SA, IRSA Inversiones y Representaciones SA, Banco Hipotecario SA, Alto Palermo SA, among other companies.

*Jorge Roberto Pardo.* Between 1993 and 2008, Mr. Pardo worked at General Union of the Republic of Argentina (*la Sindicatura General de la Nación*, or SIGEN) in several positions, including as Joint General Statutory Auditor of the Nation. Between 1983 and 1992 he worked in General Union of State-Owned Companies (*la Sindicatura General de Empresas Públicas*, or SIGEP). Mr. Pardo holds a CPA from la Universidad de Buenos Aires.

*Santiago Dellatorre.* Mr. Dellatorre is a founding partner of the Argentine law firm Errecondo, Salaverri, Dellatorre, González & Burgio. Between 1994 and 1995, he worked as an international associate at the United States law firm Shearman & Sterling LLP. Mr Dellatorre received his law degrees with honors from the Universidad Católica Argentina in 1990. He is a director of Cablevisión S.A., Dico S.A., Embotelladoras ARCA Argentina S.A., Envases Plásticos S.A., Formosa Refrescos S.A. and Salta Refrescos S.A.; and an alternate director of AEI Servicios Argentina S.A., Patagonia Oil and Gas S.A., PSA Energy Mendoza S.A., PSA Energy Argentina S.A. and Urbanizadora del Sur S.A. In addition, he is a member of the statutory audit committee of Empresa de Energía Río Negro S.A. (EdERSA) and Maltería del Puerto S.A. and an alternate member of the statutory audit committee of Dolphin Energía, GSF S.A., Canepa Hermanos SAICAF, Chain Services S.A., EASA, Grupo Los Grobo S.A., LM Los Grobo S.A., Los Grobo Agropecuaria S.A., Los Grobo Inversora S.A., Los Grobo San Pedro S.A., Los Grobo Servicios S.A., Los Silos del 13 de Abril S.A., Partners I S.A. and TGLT S.A.

*Marcelo Fuxman.* Mr. Fuxman obtained a degree in accounting from the Universidad de Buenos Aires. He is a partner of the audit firm Abelovich, Polano & Asociados SRL/Nexia International, an accounting firm in Argentina. He is a member of the supervisory committees of Pampa Energía S.A., Transener SA, Cresud SA, IRSA Inversiones y Representaciones SA, Banco Hipotecario SA, Alto Palermo SA, among other companies.



*Alejandro Gabriel Turri.* Mr. Turri has worked at SIGEN in various positions since 1993. Between 1989 and 1992 he worked at SIGEP and between 1984 and 1988 at the Tribunal de Cuentas de la Nación. Mr. Turri holds a CPA and a business administration degree, both from la Universidad de Buenos Aires.

### **Compensation**

Our board of directors does not have a compensation or remuneration committee. The aggregate remuneration paid to the members and alternate members of our board of directors, the members and alternate members of our supervisory committee and our senior management during 2009 was Ps. 2.8 million, Ps. 0.1 million and Ps. 13.8 million, respectively.

### **Share ownership**

None of the members of our board of directors, our audit committee or our senior management beneficially own any shares of our capital stock, except Messrs. Marcos Marcelo Mindlin, Damián Miguel Mindlin and Gustavo Mariani that, through Pampa Energía, are controlling shareholders of Dolphin Energía and IEASA, which makes them indirect beneficiaries of all of our Class A shares and Mr. Diego Martín Salaverri who is the beneficial owner of less than one percent of our capital stock represented by Class B shares. See “Principal Shareholders.”

## PRINCIPAL SHAREHOLDERS

The following table sets forth information relating to the ownership of our common shares as of the date of this offering memorandum.

	Class <sup>(1)</sup>	Shares	Percent ownership
Electricidad Argentina S.A. <sup>(2)</sup> .....	A	462,292,111	51.0%
Employee Stock Participation Program .....	C	1,952,604	0.2%
Public .....	B	203,672,680	22.5%
ANSES <sup>(3)</sup> .....	B	229,125,205	25.3%
Treasury Shares .....	B	9,412,500	1.0%
Total.....		906,455,100	100.0%

(1) Each class of shares entitles holders to one vote per share.

(2) All of our Class A shares have been pledged to the Argentine government to secure our obligations under our concession and cannot be transferred without the prior approval of the ENRE. See “Business—Our concession —Our obligations.” Electricidad Argentina S.A. (EASA) is an Argentine corporation wholly owned by Dolphin Energía and IEASA. Dolphin Energía holds 90% of the voting stock and 92.3% of the total outstanding stock of EASA, and IEASA holds the remainder. Pampa Energía S.A. currently owns 100% of the capital stock of Dolphin Energía and IEASA.

(3) On November 20, 2008, the Argentine Congress passed a law unifying the Argentine pension and retirement system into a system publicly administered by the National Social Security Agency (*Administración Nacional de la Seguridad Social*, or ANSES) and eliminating the retirement savings system previously administered by private pension funds under the supervision of a governmental agency. In accordance with the new law, private pension funds transferred all of the assets administered by them under the retirement savings system to the ANSES. These transferred assets included 229,125,205 of our Class B shares, representing 25.3% of our capital stock. The ANSES is subject to the same investment rules, prohibitions and restrictions that were applicable to the Argentine private pension funds under the retirement savings system, including restrictions on the exercise of more than 5% of the voting power in any local or foreign company, such as the Company, in any meeting of shareholders, irrespective of the actual interest held in the relevant company’s capital stock.

As of December 31, 2009, we had approximately 4,177,186 ADSs outstanding, representing 83,543,720 Class B shares.

As of this offering memorandum, our capital stock consists of Ps. 906,455,100, represented by 462,292,111 book-entry Class A common shares, with a par value of one peso each and the right to one vote per share, 442,210,385 book-entry Class B common shares, with a par value of one peso each and the right to one vote per share, and 1,952,604 book-entry Class C common shares, with a par value of one peso each and the right to one vote per share. All of our issued shares are fully paid.

### Acquisition by Dolphin Energía and IEASA

In September 2005, Dolphin Energía and IEASA purchased an indirect controlling stake in Edenor from EDFI. Until September 28, 2007, Dolphin Energía and IEASA were controlled by the principal members of Grupo Dolphin, Marcos Marcelo Mindlin, Damián Miguel Mindlin and Gustavo Mariani. Such principal members had significant experience investing in Argentine energy sector dating back to 2004.

### Initial Public Offering

In April 2007, we completed the initial public offering of our Class B ordinary shares in the form of American Depository Shares (ADSs). We and a group of our shareholders sold 18,050,097 ADSs, representing 361,001,940 ordinary Class B shares, in an offering in the United States and other jurisdictions outside of Argentina, and the Employee Stock Participation Program sold 81,208,416 ordinary class B shares in a simultaneous offering in Argentina. The ADSs are listed on the New York Stock Exchange under the symbol “EDN” and the Class B shares are listed on the BASE under the same symbol. We received approximately U.S. \$61.4 million from the initial public offering, before costs. Of this amount, we used approximately U.S. \$36 million to repurchase some of our Discount Notes due 2014. The remainder of the proceeds from the initial public offering was used to repurchase some of our Fixed Rate Par Notes due 2016 and for capital expenditures. After the initial public offering, our controlling shareholder continues to own 51% of our ordinary shares.

### **Acquisition by Pampa Energía S.A. (Formerly called Pampa Holding SA)**

On June 22, 2007, the principal members of Grupo Dolphin, Marcos Marcelo Mindlin, Damián Miguel Mindlin and Gustavo Mariani, signed a stock subscription agreement with Pampa Energía S.A., pursuant to which they agreed to transfer all of the stock of Dolphin Energía and IEASA to Pampa Energía S.A. in exchange for common stock of Pampa Energía S.A. On August 30, 2007, the shareholders of Pampa Energía S.A. approved this transfer of shares, and the CNV and the BASE approved the public offering and listing of the shares in September 2007. The transaction was consummated on September 28, 2007, and as a result, Pampa Energía S.A. owns 100% of the capital stock of each of Dolphin Energía and IEASA, which in turn collectively own all of the capital stock of EASA, our controlling shareholder. The ratio of exchange of common shares of Pampa Energía S.A. and shares of Dolphin Energía and IEASA was determined using the respective averages of the closing prices of Pampa Energía S.A.'s and our shares on the Buenos Aires Stock Exchange during a 10-trading day period ending on August 15, 2007, taking into account, in the case of shares of Dolphin Energía and IEASA, EASA's stake in our company, the net present value of EASA's outstanding indebtedness and the net present value of fees to be paid by us to EASA under the Financial Services Agreement dated April 4, 2006 between our company and EASA. See "Related Party Transactions—Financial Services Agreement with EASA."

The former shareholders of Dolphin Energía and IEASA, Messrs. Marcos Marcelo Mindlin, Damián Mindlin and Gustavo Mariani, are the controlling shareholders of Grupo Dolphin and are managers of Pampa Energía S.A., an Argentine public company with a market capitalization (net of repurchases) of U.S. \$623 million as of December 31, 2009. Pampa Energía S.A. was acquired in November 2005 by certain principals of Grupo Dolphin to serve as a corporate vehicle for private equity investments in Argentina. Through companies under their control, Messrs. Marcos Marcelo Mindlin, Damián Mindlin and Gustavo Mariani currently control approximately 19.89% of the common stock of Pampa Energía S.A. In addition, Messrs. Marcos Marcelo Mindlin, Damián Mindlin and Gustavo Mariani, together with Pampa Energía S.A.'s chief executive officer, hold warrants to purchase, in the aggregate, approximately 22.5% of the common stock of Pampa Energía S.A. (on a fully diluted basis). The board of directors of Pampa Energía S.A. consists of nine directors, of which five are affiliated with Grupo Dolphin, including Mr. Marcelo Mindlin, who serves as chairman of the board of directors, Damián Mindlin, who serves as vice-chairman of the board of directors, and Gustavo Mariani, a member of the board of directors. The principal executive officers of Pampa Energía S.A., including its chief executive officer, are also affiliated with Grupo Dolphin.

In addition to its indirect stake in us, Pampa Energía S.A. currently owns several investments in the Argentine electricity sector, including a 50% interest in the controlling shareholder of the principal electricity transmission company in Argentina, *Compañía de Transporte de Energía Eléctrica en Alta Tensión S.A.* (Transener), controlling stakes in five generation plants located in the Buenos Aires, Salta, Mendoza and Neuquén provinces (*Central Piedra Buena S.A.*, *Hidroeléctrica Los Nihules S.A.*, *Hidroeléctrica Diamante S.A.*, *Central Térmica Güemes S.A.* and *Loma de la Lata S.A.*).

### **Share Buy-Back Program**

On October 23, 2008, we launched a tender offer in Argentina for our shares at a purchase price of Ps. 0.65 per share. 400,000 ordinary Class B shares were validly tendered and purchased pursuant to the offer.

On November 14, 2008, we commenced an open-market share purchase program. Under the terms of the program, we were authorized to purchase our shares for up to Ps. 45 million, subject to certain volume and price restrictions. The open market share purchase program expired on March 17, 2009. Pursuant to the program we purchased 9,012,500 Class B shares, at an average price of Ps. 0.65 per share, representing approximately 1% of our capital stock. We currently hold 9,412,500 Class B shares as treasury stock.

### **Employee Stock Participation Program**

At the time of the privatization of SEGBA (our predecessor), the Argentine government allocated all of our Class C shares, representing 10% of our outstanding capital stock, to establish a Programa de Propiedad Participada (employee stock participation program, or PPP), pursuant to Law No. 23,696 and regulations thereunder, through which certain eligible employees (including former employees of SEGBA who became employees of our company) were each entitled to receive a specified number of our Class C shares, calculated in accordance with a formula that

considered a number of factors, including the employee's salary level, position and seniority. In order to implement the PPP, a general transfer agreement, a share syndication agreement and a trust agreement were executed.

Pursuant to the transfer agreement, participant employees were allowed to defer payment for the Class C shares over time. As a guarantee for the payment of the deferred purchase price, the Class C shares were pledged in favor of the Argentine government. Furthermore, under the original trust agreement, the Class C shares were placed in trust by the Argentine government with *Banco Nación*, acting as trustee for the Class C shares, for the benefit of the participant employees and the Argentine government. In addition, pursuant to the share syndication agreement, all political rights of the participant employees (including the right to vote at our ordinary and extraordinary shareholders' meetings) were to be exercised collectively until the payment in full of the deferred purchase price and the release of the pledge in favor of the Argentine government. On April 27, 2007, the participant employees paid the deferred purchase price of all of the Class C shares in full to the Argentine government and, accordingly, the pledge was released and the share syndication agreement was terminated.

According to the regulations applicable to the Employee Stock Participation Program, participant employees who terminated their employment with our company before the payment in full of the deferred purchase price to the Argentine government were required to transfer their shares to the Guarantee and Repurchase Fund, at a price calculated pursuant to a formula set forth in the transfer agreement. As of the date of payment of the deferred purchase price, the Guarantee and Repurchase Fund had not paid in full the amounts due to the former participant employees for the transfer of their Class C Shares.

A number of former employees of SEGBA and our company have brought claims against the Guaranty and Repurchase Fund, the Argentine government and, in certain limited cases, our company, in each case relating to the administration of our Employee Stock Participation Program. The plaintiffs who are former employees of SEGBA were not deemed eligible by the relevant authorities to participate in the Employee Stock Participation Program at the time of its creation, which determination these plaintiffs dispute and are seeking compensation for. The plaintiffs who are former employees of our company are either seeking payment of amounts due to them by the Guaranty and Repurchase Fund for share transfers that occurred upon their retirement from our employment or disputing the calculation of the amounts paid to them by the Guaranty and Repurchase Fund. In several of these claims, the plaintiffs have obtained attachment orders or injunctive relief against the Guaranty and Repurchase Fund over approximately 1,567,231 Class C shares and Ps. 709,149 of the funds on deposit in the fund, in each case up to the amount of their respective claims. Because the outcome of these proceedings has not yet been determined, the Argentine government instructed *Banco Nación* to create a Contingency Fund to hold a portion of the proceeds of the offering of Class B shares by the Employee Stock Participation Program pending the outcome of these legal proceedings.

According to the agreements, laws and decrees that govern the Employee Stock Participation Program, our Class C shares may only be held by our employees. Upon the closing of our initial public offering, substantially all of our Class C shares were converted into Class B shares and sold. In accordance with these agreements, laws and decrees, the rights previously attributable to the Class C shares have been combined with those attributable to the Class B shares, and holders of the remaining Class C shares will vote jointly as a single class with the holders of Class B shares in the election of directors. Only 1,952,604 Class C shares remain outstanding, representing 0.2% of our capital stock.

## RELATED PARTY TRANSACTIONS

### **Financial Services Agreement with EASA**

On April 4, 2006, we entered into a Financial Services Agreement with EASA pursuant to which EASA shall provide us with advisory services, as well as services related to the potential development of new lines of business compatible with our corporate objectives. The services to be performed by EASA include assistance and advice in respect of our financial performance, our finance management team and our financial decision-making process, our engagement of financial advisory services firms and the development of new financial products, the restructuring of our commercial and financial debt, feasibility, profitability and implementation of new businesses, hedging and derivatives strategies, relationship with foreign and local financial institutions, financial aspects of tariffs renegotiation and concession contract process and our annual budget.

The term of the agreement is five years from September 2005, with each party having the right to terminate it at any time without cause with 60 days prior notice. The consideration to be received by EASA is U.S. \$2 million per year, plus Argentine value added tax, and will be payable in advance in October of each year, or as otherwise agreed by the parties, with the first payment (for services rendered in the 12-month period from September 2005) being paid upon approval of the agreement by the audit committees and boards of directors of both our company and EASA, approvals which have both been obtained. The payment related to the first year of services was made on April 19, 2006.

In April 2008, our board of directors approved an amendment to the EASA agreement increasing the amount to be paid by us in consideration for the services provided by EASA to U.S. \$2.5 million, plus Argentine value added tax, payable retroactively from January 1, 2008. No other terms of the contract have been modified.

On August 31, 2010 the board of directors approved the renegotiation of this agreement in the same terms and conditions, for a new period of five years.

### **Agreement with Comunicaciones y Consumos S.A.**

On March 16, 2007 we entered into an agreement with *Comunicaciones y Consumos S.A. (CYCSA)*, an Argentine company wholly owned by Messrs. Marcelo Mindlin, Damian Mindlin and Gustavo Mariani, pursuant to which we granted CYCSA the exclusive right to provide telecommunication services to our customers through the use of our network in accordance with Federal Decree 764/2000, which contemplates the integration of voice, data and imaging services through the existing infrastructure of electricity distribution companies such as ours. Under the terms of this agreement, CYCSA will be responsible for all expenses relating to the maintenance and adaptation of our network for use in providing its telecommunications services. The agreement will be valid for ten years commencing from the date on which the ENRE approves the terms of the agreement and the date on which CYCSA's telecommunications license is granted approval, which it received on July 11, 2008. The agreement also provides for automatic renewal at the expiration of each term for subsequent five-year periods, unless either party gives notice not less than 120 days prior to the expiration of such term. Under the agreement, CYCSA will be required to make periodic requests for access to our network, which we will evaluate and grant based on available capacity in our network. In return for the use of our network, CYCSA will compensate us with 2% of its annual charges to customers, before taxes, as well as 10% of any profits derived from its services. In addition, CYCSA will indemnify us for any liability arising from the rendering of its services through our network. In October 2008, we entered into an amendment to the agreement with CYCSA granting CYCSA the right to use poles and towers of our overhead lines to lay a network of fiber optic cables. The amendment also grants us the right to use part of the capacity of the fiber optic cables.

In November 2008, CYCSA and we extended the term of our initial agreement from ten to twenty years.

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

On March 16, 2007, we entered into an agreement with *Préstamos y Servicios S.A. (PYSSA)*, a financial services company indirectly owned by Pampa Holdings LLC, a company indirectly controlled by Messrs. Marcelo Mindlin, Damian Mindlin and Gustavo Mariani, pursuant to which we granted PYSSA the exclusive right to conduct its direct and marketing services through the use of our facilities and mailing services. Under the terms of

the agreement, we agree to provide PYSSA with office space and allow them to communicate financial and loan offers directly to our customers. In addition, we include PYSSA marketing material in the invoices and other mail we send to our customers. The term of the agreement is five years, which automatically renews for subsequent five-year periods unless terminated by one of the parties with 120 days notice. In accordance with the terms of the agreement, PYSSA pays us 2% of the monthly charges collected from our customers, before taxes, and 10% of profits. PYSSA has indemnified us for any obligation arising from the rendering of its services. This agreement required authorization from the ENRE, which it received through Resolution No. 381/2007 on June 15, 2007.

On February 28, 2008, PYSSA informed us that the office space Edenor provides to PYSSA would be used by personnel of Credilogros Compañía Financiera S.A., a firm that provides financial services, personal loans and credit cards. However, the work of Credilogros Compañía Financiera in our office space has been temporarily suspended due to the international financial crisis and its impact on the financial services industry in Argentina.

The activities related to this contract are temporarily suspended, as a consequence of the international financial crisis.

## DESCRIPTION OF THE NOTES

*The following is a description of the material terms and conditions of the notes. As used in this section, unless otherwise specified, the term **Edenor** refers to Empresa Distribuidora y Comercializadora Norte S.A. on an unconsolidated basis and the term the **Company** refers to Edenor and its Subsidiaries on a consolidated basis. Capitalized terms not otherwise defined herein shall have the meanings given to them in the Indenture, including those terms made part of the Indenture by reference to the Trust Indenture Act of 1939. Certain terms are defined as set forth below under “—Certain Definitions.” A copy of the form of Indenture will be available for inspection at the offices of Edenor.*

### General Overview

We will issue the notes pursuant to our existing Global Medium Term Note Program (the **Program**) for the issuance of *obligaciones negociables* (negotiable obligations) in an aggregate principal amount of up to U.S. \$600,000,000 (or its equivalent in other currencies). The creation of the Program was authorized by resolutions adopted on August 5, 1994 at an extraordinary meeting of Edenor’s shareholders, which were ratified by resolutions adopted on September 23, 1996 at an ordinary meeting of Edenor’s shareholders. The CNV approved the creation of the Program by Resolution No. 130 dated November 5, 1996 for an amount of up to U.S. \$300,000,000. The maximum amount of the Program was increased to U.S. \$600,000,000 (or its equivalent in other currencies) by resolutions adopted on September 15, 1997 at an extraordinary meeting of Edenor’s shareholders, which was approved by the CNV by Certificate No. 193 on February 27, 1998. As the initial term of the Program expired on November 5, 2001, Edenor’s shareholders approved a five-year extension of its term to November 5, 2006 by resolutions adopted on June 7, 2001 at an extraordinary meeting, which was approved by the CNV by Resolution No. 286 dated September 4, 2001. On February 23, 2006, Edenor’s shareholders approved an additional five-year extension of the Program to March 23, 2011, which was approved by the CNV by Resolution No. 15,359 dated March 23, 2006. The notes will qualify as negotiable obligations under, and will be issued pursuant to and in compliance with all the requirements of, the Negotiable Obligations Law and other applicable Argentine regulations.

The public offering of the notes in Argentina has been authorized by the CNV. We will apply to have all of the notes listed on the Buenos Aires Stock Exchange, admitted to trading on *Mercado Abierto Electrónico S.A.*, listed on the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange.

The notes will be issued pursuant to an indenture (the **Indenture**), to be dated as of the Issuance Date among Edenor, as issuer, The Bank of New York Mellon, as trustee (the **Trustee**, which term shall include any successor as Trustee under the Indenture) and Banco Santander Río S.A., as representative of the Trustee in Argentina. The notes will be issued by Edenor, and Edenor will be liable therefor and obligated to perform all covenants and agreements to be performed by Edenor pursuant to the notes and the Indenture, including the obligations to pay principal, interest and Additional Amounts (as defined below), if any. Initially, (i) the Trustee will act as principal paying agent (the **Principal Paying Agent**, together with its successors and assigns and any additional qualified paying agents, collectively, the **Paying Agents**), transfer agent (the **Transfer Agent**, together with its successors and assigns and any additional qualified transfer agents, collectively, the **Transfer Agents**) and Co-registrar (the **Registrar**, and together with its respective successors and assigns and any additional qualified registrars, collectively, the **Registrars**) and (ii) Banco Santander Río S.A. will act as registrar, transfer and paying agent in Argentina and representative of the Trustee in Argentina. The respective terms of the notes include those stated in the Indenture and made part of the Indenture by reference to the Trust Indenture Act of 1939 (**Trust Indenture Act**), as amended.

The notes will be issued in denominations of U.S. \$2,000 and integral multiples of U.S. \$1,000 in excess thereof. The notes will be denominated in U.S. Dollars and payments of principal of, and interest on, the notes (including Additional Amounts, if any) will also be made in U.S. Dollars.

### Basic Terms of the Notes

The notes will:

- have an original aggregate principal amount of U.S. \$230,301,000;
- provide that interest will be payable semiannually in arrears on each Interest Payment Date to the holders of record on the Record Date immediately preceding such Interest Payment Date;
- provide that interest on the outstanding principal amount will accrue beginning on the Issuance Date, at 9.75% per year (the **Applicable Annual Interest Rate**);
- provide that interest on overdue interest will be payable at a rate of 2% per annum plus the Applicable Annual Interest Rate;
- mature on October 25, 2022 at a price of 100%.
- Interest will be computed on the basis of a 360-day year of twelve 30-day months.

### **Further Issues**

We may from time to time, without the consent of the holders of the notes, subject to the limitations on Incurrence of Indebtedness and other provisions of the Indenture, create and issue additional notes having terms and conditions the same as those of the notes (the **Additional Notes**), except for the payment of interest accruing prior to the issue date of such Additional Notes and, in some cases, except for the first payment of interest following the issue date of such Additional Notes, which Additional Notes may be consolidated and form a single series with the outstanding notes. We will not issue any Additional Notes unless such Additional Notes have no more than a *de minimis* amount of original issue discount or such issuance would constitute a “qualified reopening” for U.S. federal income tax purposes.

### **Status of the Notes**

The notes will constitute direct, unconditional, unsecured and unsubordinated obligations of Edenor ranking at all times at least *pari passu* in priority of payment, in right of security upon liquidation and in all other respects among themselves and with all other unsecured Indebtedness of Edenor now or hereafter outstanding, except to the extent that such other Indebtedness may be preferred by mandatory provisions of applicable law or subordinated by its terms.

### **Certain Covenants**

#### *Limitation on Liens*

Edenor will not, and will not permit any of its Restricted Subsidiaries to incur, assume or suffer to exist, any Lien upon its property, assets or revenues, whether now owned or hereafter acquired, securing any Indebtedness of any Person, unless the notes are equally and ratably secured by such Liens, other than the following (**Permitted Liens**):

- (a) Liens for taxes, assessments or governmental charges or claims or fines not yet due or which are being contested in good faith by appropriate proceedings; *provided* that adequate reserves with respect thereto are maintained on the books of Edenor or such Restricted Subsidiary, as the case may be, to the extent required by Argentine GAAP;
- (b) Liens created by any Restricted Subsidiaries over their assets solely in favor of Edenor or another Restricted Subsidiary;
- (c) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;
- (d) Liens arising by reason of (1) any judgment, decree or order of any court, so long as such Lien is being contested in good faith and any appropriate legal proceedings which may have been duly



initiated for the review of such judgment, decree or order shall not have been finally terminated or the period within which such proceedings may be initiated shall not have expired; (2) any *embargo preventivo* or any other interlocutory or temporary attachment order or measure in connection with an action or proceeding during the pendency of such action or proceeding; (3) security for payment of workers' compensation or other insurance or obligations arising from other social security laws; and (4) operation of law in favor of warehousemen, landlords, mechanics, material men, laborers, employees or suppliers or other similar liens imposed by law or by contract incurred in the ordinary course of business for sums which are not yet delinquent or are being contested in good faith by negotiations or by appropriate proceedings which suspend the collection thereof, and, in each case, for which adequate reserves are maintained on the books of Edenor or such Restricted Subsidiary, as the case may be, to the extent required by Argentine GAAP;

- (e) leases or subleases granted to others, easements, rights of way, zoning and similar covenants and restrictions and other similar encumbrances or title defects, which do not materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of Edenor and its Restricted Subsidiaries;
- (f) Liens on property that secure Indebtedness Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of such property and which attach no later than 90 days after the date of such purchase or the completion of construction or improvement; *provided* that no such Lien shall extend to or cover any physical assets or equipment other than the physical assets or equipment being acquired, constructed or improved;
- (g) Liens on property at the time Edenor or any of its Restricted Subsidiaries acquires such property, including any acquisition by means of a merger or consolidation of such Person with or into Edenor or a Restricted Subsidiary; *provided* that such Liens are not created in contemplation of such acquisition and do not extend to any other property of Edenor or any Restricted Subsidiary existing immediately prior to such acquisition;
- (h) escrow deposits, trusts or similar accounts created or established pursuant to the Restructuring Indenture, the 2017 Indenture, the Indenture or for the payment of debt service obligations under the notes, including, without limitation, any deposits or accounts created and any encumbrances or interests granted in such deposits or accounts, in each case, in connection with or in furtherance of the application of the proceeds of this offering as described under "Use of Proceeds";
- (i) any banker's right of set-off arising from operation of law with respect to deposits made in the ordinary course of business by Edenor;
- (j) Liens securing obligations under Hedging Contracts;
- (k) Liens in existence on the Issuance Date, and any renewals or extensions thereof, so long as (A) such renewal or extension Lien does not extend to any property other than that originally subject to the Liens being renewed or extended and (B) the principal amount of the Indebtedness secured by such Lien, if applicable, is not increased;
- (l) Liens to secure any Permitted Refinancing Indebtedness which is Incurred to refinance any Indebtedness which has been secured by a Lien permitted under the covenant "— Limitations on Liens"; provided that such new Liens are not materially more favorable to the lienholders with respect to such Liens than the Liens in respect of the Indebtedness being refinanced, and do not extend to any property or assets other than property or assets securing the Indebtedness refinanced by such Permitted Refinancing Indebtedness;
- (m) Liens on Receivables and Related Assets securing Permitted Indebtedness described in (h) under "—Limitations on Indebtedness";
- (n) Liens arising or deemed to arise from a Sale and Leaseback Transaction;

- (o) Liens created or established in order to comply with any applicable rule, regulation, order, resolution, decree, directive or instruction of any federal, provincial or municipal government of Argentina, or any agency or instrumentality thereof, in connection with the conduct of a Permitted Business; and
- (p) Liens on any debt securities of Edenor or a Restricted Subsidiary repurchased by us and securing Indebtedness the proceeds of which are used exclusively for the repurchase of other debt securities of Edenor or a Restricted Subsidiary.

*provided* that, notwithstanding the foregoing, any Lien, of any nature or source, on the concession granted pursuant to the Concession Agreement shall not be considered a Permitted Lien.

#### *Limitations on Indebtedness*

Edenor will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness; provided that Edenor or any Restricted Subsidiary may Incur Indebtedness if, on the date of the Incurrence, after giving effect to the Incurrence and the receipt and application of the proceeds therefrom, no Default has occurred and is continuing and the Leverage Ratio is not greater than 3.75 or less than zero and the Interest Expense Coverage Ratio is not less than 2.0.

Notwithstanding the foregoing, Edenor and its Restricted Subsidiaries may Incur the following Indebtedness if, on the date of the Incurrence, after giving effect to the Incurrence and the receipt and application of the proceeds therefrom, no Default has occurred and is continuing (**Permitted Indebtedness**):

- (a) Indebtedness outstanding on the Issuance Date, including any notes issued on the Issuance Date;
- (b) Permitted Refinancing Indebtedness;
- (c) Subordinated Indebtedness;
- (d) Indebtedness Incurred for purposes of, and substantially all of the proceeds of which are applied to, financing of Regulatory Capital Expenditures;
- (e) Indebtedness in respect of Hedging Contracts;
- (f) Indebtedness with respect to letters of credit, bankers' acceptances and similar obligations issued in the ordinary course of business and not supporting Indebtedness, including performance bonds and letters of credit supporting performance bonds;
- (g) Indebtedness of Edenor or any of its Restricted Subsidiaries owed to Edenor or any of its Restricted Subsidiaries so long as such Indebtedness continues to be owed to Edenor or a Restricted Subsidiary and which, if the obligor is Edenor and such Indebtedness is owed to such Restricted Subsidiary, is subordinated in right of payment and priority to the notes, pursuant to a Subordination Agreement;
- (h) Indebtedness under any one or more Permitted Receivables Financings, the combined aggregate principal amount of which does not exceed U.S. \$35 million (or its equivalent in other currencies) at any time outstanding; and
- (i) Indebtedness Incurred for general corporate purposes in an aggregate principal amount not to exceed U.S. \$60 million (or its equivalent in other currencies) at any time outstanding.

### *Limitations on Asset Sales*

Edenor will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Sale unless:

- (a) the Asset Sale is for fair market value, as determined in good faith by the Board of Directors;
- (b) at least 75% of the value of the consideration therefrom is in the form of Cash and Cash Equivalents; provided that (i) any non-cash consideration received is for fair market value and (ii) the receipt of such non-cash consideration is otherwise permitted under the Indenture; and
- (c) immediately before and immediately after giving effect to such Asset Sale, no Default or Event of Default shall have occurred and be continuing.

Within 270 days after the receipt of any Net Cash Proceeds from an Asset Sale (other than a Sale and Leaseback Transaction), Edenor or any Restricted Subsidiary shall, at its election, apply the Net Cash Proceeds of such Asset Sale to (i) purchase, prepay or redeem Indebtedness of Edenor or any Restricted Subsidiary of Edenor or (ii) (A) acquire or commit to acquire all or substantially all of the assets of a Permitted Business or a majority of the Voting Stock of another Person that thereupon becomes a Restricted Subsidiary engaged in a Permitted Business, or (B) acquire or commit to acquire assets that are to be used by Edenor or a Restricted Subsidiary in a Permitted Business; provided that if Edenor receives Net Cash Proceeds from Asset Sales in an aggregate amount in excess of U.S. \$20 million in any fiscal year, Edenor shall apply such excess, to the extent not otherwise applied as permitted in this paragraph, within the following fiscal year for the purposes set forth in clauses (i) or (ii) above.

Edenor or any Restricted Subsidiary shall apply the Net Cash Proceeds of any Sale and Leaseback Transaction as set forth in clauses (i) or (ii)(B) in the immediately preceding paragraph.

### *Limitation on Transactions with Shareholders and Affiliates*

Edenor will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into, renew, amend, or extend any transaction or arrangement including the purchase, sale, lease or exchange of property or assets, or the rendering of any service, with any Affiliate of Edenor (other than *Sociedad Anónima Centro de Movimiento de Energía* (SACME)) except upon terms not less favorable to Edenor or such Restricted Subsidiary than those that could be obtained in a comparable arm's-length transaction with a Person that is not an Affiliate of Edenor. If any such transaction or series of related transactions has an aggregate value in excess of U.S. \$15 million, prior to such transaction, Edenor will obtain a favorable written opinion from (i) the audit committee of Edenor, which committee shall include at least two independent members of the Board of Directors and (ii) at least one independent consultant that the terms of the transaction are consistent with those that could be obtained in a comparable arm's-length transaction with a Person that is not an Affiliate of Edenor.

The foregoing paragraphs do not apply to:

- (a) any transaction between Edenor and any of its Restricted Subsidiaries or between Restricted Subsidiaries of Edenor;
- (b) any transaction or payment required pursuant to Argentine laws and regulations to be made on terms different than in comparable arm's-length transactions; or
- (c) the performance by any of Edenor or its Restricted Subsidiaries of its obligations under the terms of any agreement or instrument in effect on the Issuance Date and disclosed in this offering memorandum under "Related Party Transactions."

### *Limitation on Restricted Payments*

Edenor will not and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, take any of the following actions (each, a **Restricted Payment**):

- (a) declare or pay any dividend or return of capital or make any distribution on or in respect of Equity Interests of Edenor or any Restricted Subsidiary to holders of such Equity Interests other than (i) any dividends or distributions in the form of Qualified Equity Interests of Edenor, (ii) dividends, distributions or returns of capital payable to Edenor or a Restricted Subsidiary, (iii) dividends, distributions or returns of capital made on a *pro rata* basis to Edenor and its Restricted Subsidiaries on the one hand, and minority holders of Equity Interests of a Restricted Subsidiary on the other hand or (iv) any payments permitted to be made pursuant to “—Limitations on Transactions with Shareholders and Affiliates”;
- (b) purchase, redeem or otherwise acquire or retire for value any Equity Interests of Edenor;
- (c) repay, redeem, repurchase, defease or otherwise acquire or retire for value, or make any payment on or with respect to, any Subordinated Indebtedness, other than (i) scheduled payments of interest or principal (provided no Default or Event of Default shall have occurred and be continuing), (ii) any intercompany Indebtedness between or among Edenor and/or any Restricted Subsidiaries or (iii) any payments permitted to be made pursuant to “—Limitations on Transactions with Shareholders and Affiliates”; or
- (d) make any Investments (other than Permitted Investments);

unless, at the time of, and after giving effect to, the proposed Restricted Payment:

- (1) no Default has occurred and is continuing; and
- (2) Edenor could incur at least U.S. \$1.00 of Indebtedness under the Leverage Ratio test set forth in the first sentence of the covenant described under the caption “—Certain Covenants—Limitations on Indebtedness.”

### *Limitations on Mergers, Consolidations, Sales and Conveyances*

Edenor will not enter into any merger, consolidation, spin-off or reorganization with any Person (whether or not Edenor is the surviving or continuing Person) or sell, assign, transfer or otherwise convey or dispose of all or substantially all of its and its Restricted Subsidiaries’ assets, taken as a whole, whether by one transaction or a series of transactions, to any Person unless:

- (a) the surviving or transferee Person (if not Edenor) is a *sociedad anónima* organized under the laws of Argentina;
- (b) the surviving or transferee Person (if not Edenor) shall have expressly assumed, by a document executed and delivered to the Trustee in form and substance reasonably satisfactory to the Trustee, all of the obligations of Edenor under the notes and the Indenture;
- (c) immediately after giving effect to such transaction or series of transactions on a *pro forma* basis, (A) no Default or Event of Default shall have occurred and be continuing, and (B) the Leverage Ratio of the Company or such surviving entity will be equal to or lower than the Leverage Ratio of the Company immediately prior to such transaction, as certified by the Company’s auditors;
- (d) the rating of the notes by any Rating Agency shall not have been downgraded as a result of such transaction or series of transactions within 60 days of the public announcement of such transaction or series of transactions; and

- (e) the surviving or transferee Person shall have delivered to the Trustee an Officers' Certificate stating that such merger, consolidation, sale, assignment, transfer or other conveyance or disposition complies with this covenant and the Indenture.

Upon the occurrence of any of the transactions permitted by the preceding paragraph, the surviving or transferee Person (if not Edenor) will succeed to and become substituted for Edenor, and may exercise every right and power of Edenor, with the same effect as if it had been named in the notes and the Indenture. Following such transaction, Edenor will be released from its liability as obligor on the notes and under the Indenture.

In the event of any such sale, assignment, transfer, conveyance or disposition, Edenor, as the predecessor entity, may be dissolved, wound-up or liquidated at any time thereafter.

#### *Delivery of Financial Statements*

Edenor will furnish to the Trustee:

- (a) as soon as available, but in any event within 120 days after the end of each fiscal year of the Company, a copy of the consolidated balance sheet of the Company as of the end of such year and the related consolidated statements of income and cash flows for such fiscal year, audited by independent accountants selected by Edenor and of internationally recognized standing;
- (b) as soon as available, but in any event within 75 days after the end of each of the first three fiscal quarters of the Company, a copy of the unaudited consolidated balance sheet of the Company as of the end of each such quarter and the related unaudited consolidated statements of income and cash flows of the Company for such quarter and the portion of the fiscal year through such date;
- (c) concurrently with the delivery of the financial statements for each fiscal year and the second fiscal quarter of the Company referred to in clauses (a) and (b), respectively above, a certificate of Edenor's general manager or Chief Financial Officer, certifying the calculation of the Leverage Ratio and the Interest Expense Coverage Ratio; and
- (d) concurrently with the delivery of the financial statements referred to in clause (a) above, a certificate of the general manager or chief financial officer of Edenor stating whether, to the best of such officer's knowledge, anything came to his or her attention to cause him or her to believe that there existed on the date of such statements a Default or an Event of Default, and if so, specifying the nature and period of existence thereof.

All of the financial statements referred to in (a) and (b) above are to be complete and correct in all material respects, to be prepared in reasonable detail and in accordance with Argentine GAAP applied consistently throughout the periods reflected therein and to be delivered in both the English and Spanish languages.

#### *Notices of Default*

Edenor will use reasonable efforts to notify the Trustee, by facsimile or electronic mail (receipt confirmed telephonically or by electronic mail or electronic mail receipt) promptly after it becomes aware of the occurrence of any Event of Default, or any condition or event which with the giving of notice, lapse of time or satisfaction of any other condition or any combination of the foregoing would, unless cured or waived, become an Event of Default. Each notice given pursuant to this paragraph shall be accompanied by a certificate of an Officer of Edenor setting forth the details of the occurrence referred to therein and stating what action Edenor proposes to take with respect thereto.

#### *Corporate Existence*

Except as otherwise permitted under the Indenture and referred to above under "—Limitations on Mergers, Consolidations, Sales and Conveyances," Edenor will, at all times, do all things necessary to preserve and keep in full force and effect its corporate existence and preserve and keep in full force and effect in all respects all material

licenses and permits necessary to the proper conduct of its business and its rights (charter and statutory) and franchises and such rights and franchises of its Restricted Subsidiaries necessary to the proper conduct of the business of Edenor and such Subsidiaries, as a whole.

#### *Conduct of Business*

The Company and its Restricted Subsidiaries will not engage in any business other than a Permitted Business.

#### *Maintenance of Properties*

Edenor will cause all material tangible properties used in the conduct of its business or the business of any of its Significant Subsidiaries to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements and improvements thereof, all as in our judgment may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that this covenant will not prevent Edenor or any of its Subsidiaries from discontinuing the operation or maintenance of any of such properties if such discontinuance is desirable in the conduct of its business and the business of its Subsidiaries taken as a whole and not adverse in any material respect to the holders of the notes.

#### *Maintenance of Insurance*

Edenor will, and will cause each of its Subsidiaries to, maintain insurance in such amounts and covering such risks as is usually carried by electricity distribution companies, subject to any applicable laws and regulations of Argentina.

#### *Payment of Taxes and Other Claims*

Edenor will, and will cause each of its Subsidiaries to, pay or discharge or cause to be paid or discharged, before the same shall become delinquent, all taxes, assessments and governmental charges levied or imposed upon Edenor or its Subsidiaries; *provided, however*, that neither Edenor nor any Subsidiary will be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim which is being contested in good faith and, if appropriate, by appropriate legal proceedings, provided that adequate reserves with respect thereto are maintained on the books of Edenor or such Subsidiary, as the case may be, to the extent required by Argentine GAAP.

#### *Designation of Restricted and Unrestricted Subsidiaries*

- (a) Edenor may designate any Subsidiary, including a newly acquired or created Subsidiary, to be an Unrestricted Subsidiary under the Indenture if:
  - (i) the Restricted Subsidiary is not a Significant Subsidiary;
  - (ii) no Default or Event of Default shall have occurred and be continuing at the time of and after giving effect to such designation;
  - (iii) such Subsidiary does not own any Capital Stock of Edenor or any Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, Edenor or any Restricted Subsidiary; and
  - (iv) the Subsidiary is not party to any transaction or arrangement with Edenor or any Restricted Subsidiary that would not be permitted under “—Limitation on Transactions with Shareholders and Affiliates.”

If the Subsidiary being designated as an Unrestricted Subsidiary is, at the time of designation, a Restricted Subsidiary, the consequences set forth in paragraph (c) apply. Once so designated, the Subsidiary will remain an Unrestricted Subsidiary, subject to paragraph (b).

- (b)
  - (i) A Subsidiary previously designated an Unrestricted Subsidiary which fails to meet the qualifications set forth in paragraph (a) above will be deemed to become at that time a Restricted Subsidiary, subject to the consequences set forth in paragraph (d).
  - (ii) Edenor may designate an Unrestricted Subsidiary to be a Restricted Subsidiary if the designation would not cause a Default.
- (c) Upon a Restricted Subsidiary becoming an Unrestricted Subsidiary:
  - (i) all existing Investments of Edenor and the Restricted Subsidiaries therein valued at Edenor's proportional share of the fair market value of its assets less liabilities will be deemed made at that time;
  - (ii) all existing Indebtedness of Edenor or a Restricted Subsidiary held by it will be deemed incurred at that time, and all Liens on property of Edenor or a Restricted Subsidiary held by it will be deemed incurred at that time;
  - (iii) all existing transactions between it and Edenor or any Restricted Subsidiary will be deemed entered into at that time; and
  - (iv) it will cease to be subject to the provisions of the Indenture and the notes as a Restricted Subsidiary.
- (d) Upon an Unrestricted Subsidiary becoming, or being deemed to become, a Restricted Subsidiary:
  - (i) all of its Indebtedness and Disqualified Stock will be deemed incurred at that time for purposes of “—Limitations on Indebtedness”;
  - (ii) Investments therein previously charged under “—Limitation on Restricted Payments,” as adjusted to reflect any change in Edenor's proportional share of the fair market value of its assets less liabilities, will be credited thereunder; and
  - (iii) it will thenceforward be subject to the provisions of the Indenture and the notes as a Restricted Subsidiary.

Any designation by Edenor of a Subsidiary as a Restricted Subsidiary or Unrestricted Subsidiary shall, unless so noted by Edenor, be deemed to include the designation of all of the Subsidiaries of such Subsidiary. Any designation by the Edenor of a Subsidiary as a Restricted Subsidiary or Unrestricted Subsidiary will be evidenced to the Trustee by delivering to the Trustee a copy of the resolutions of the Board of Directors giving effect to the designation and an Officers' Certificate certifying that the designation complied with the foregoing provisions, not later than the next succeeding delivery of financial statements as required under “—Delivery of Financial Statements.”

#### *Limitation of Applicability of Certain Covenants*

Notwithstanding the foregoing, the obligations of Edenor and its Restricted Subsidiaries to comply with the covenants described above under the captions “—Limitations on Indebtedness”, “—Limitation on Transactions with Shareholders and Affiliates,” “—Limitation on Restricted Payments” and “—Limitations on Asset Sales,” (collectively, the **Suspended Covenants**) will be suspended and cease to have any further effect during the period (the **Suspended Period**) from and after the first date that either (a) Edenor attains from at least one of the Rating Agencies, a rating on its long-term debt denominated in currencies other than Pesos that is Investment Grade or (b) the Leverage Ratio (as certified by Edenor's auditors) is equal to or lower than 3.0 and until, as applicable, the date

(the **Reversion Date**) on which either (i) none of the Rating Agencies provide Edenor's non-Peso denominated long-term debt an Investment Grade rating or (ii) the Leverage Ratio is greater than 3.0. On the Reversion Date, Edenor and its Restricted Subsidiaries' obligation to comply with the Suspended Covenants shall be reinstated; *provided, however*, that the Suspended Covenants will not be of any effect with regard to actions of Edenor or its Restricted Subsidiaries taken during the Suspension Period, and no Event of Default will be deemed to have occurred as a result of a failure to comply with the Suspended Covenants during the Suspension Period.

On the Reversion Date, all Indebtedness incurred while the Suspended Covenants were suspended will be classified to have been incurred pursuant to one of the paragraphs set forth in "—Limitations on Indebtedness" (to the extent such Indebtedness would be permitted to be incurred thereunder as of the Reversion Date and after giving effect to Indebtedness outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be incurred pursuant to "—Limitations on Indebtedness," such Indebtedness will be deemed to have been outstanding on the Issuance Date, so that it is classified as permitted under paragraph (a) of "—Limitation on Indebtedness."

### **Events of Default**

Each of the following events with respect to the notes shall be an event of default (Events of Default) in connection with such notes:

- (a) default in the payment of any principal of any of the notes when the same shall become due and payable, whether at maturity, upon redemption, by declaration, by prepayment or otherwise and such default continues for five calendar days;
- (b) default in the payment of any interest or Additional Amounts, if applicable, when the same shall become due and payable, whether at maturity, upon redemption, by declaration, by prepayment or otherwise and such default continues for thirty (30) calendar days;
- (c) any failure to comply with the provisions of "Certain Covenants—Limitations on Mergers, Consolidations, Sales and Conveyances";
- (d) any failure on the part of Edenor to duly observe or perform any of the covenants or agreements of Edenor under the Indenture (other than those referred to in (a) through (b) above) for a period of more than 30 calendar days after the date on which written notice thereof requiring Edenor to remedy the same shall have been given to Edenor by the Trustee or the holders of at least 25% in aggregate principal amount of the notes;
- (e) there occurs with respect to any Indebtedness of Edenor or its Restricted Subsidiaries having a principal amount of U.S. \$30 million (or its equivalent in other currencies) or more in the aggregate for all such Indebtedness of all such Persons (i) an event of default that results in the acceleration of the maturity of such Indebtedness or (ii) failure to make a principal payment when due and such defaulted payment is not made, waived or extended within the applicable grace period;
- (f) there shall have been a revocation, cancellation, termination or suspension for more than twenty (20) consecutive days of the Concession Agreement;
- (g) there shall have been entered against Edenor or any of its Restricted Subsidiaries a final judgment, decree or order by a court of competent jurisdiction from which no appeal may be taken or, within the applicable period to appeal, is taken for the payment of money, or the forfeiture of property with an aggregate value in excess of U.S. \$30 million (or its equivalent in other currencies) and 60 calendar days shall have passed since the entry of the order without it being satisfied, discharged or stayed (a **Judgment**);
- (h) a distress, attachment, execution, seizure before judgment or other legal or extrajudicial process is levied, enforced or sued out on or against any part of the property, assets or revenues of Edenor or any of its Restricted Subsidiaries, which, if executed or consummated, would have a material



adverse effect on Edenor's ability to make scheduled principal and interest payments on the notes, unless (a) such distress, attachment, execution, seizure before judgment or other legal or extrajudicial process is discharged or stayed within 90 days of notice to Edenor or such Restricted Subsidiary, as the case may be, or (b) if such distress, attachment, execution, seizure before judgment or legal or extrajudicial process shall not have been discharged or stayed within such 90-day period, Edenor or such Restricted Subsidiary, as the case may be, shall have contested in good faith by appropriate proceedings such distress, attachment, execution, seizure before judgment or legal process; *provided* that if such distress, attachment, execution, seizure before judgment or legal process shall not have been discharged or stayed within 365 days of notice to Edenor or such Restricted Subsidiary, as the case may be, Edenor or such Restricted Subsidiary shall have posted a bond or other appropriate collateral which shall have substituted such distress, attachment, execution, seizure before judgment or other legal or extrajudicial process within such time period;

- (i) Edenor or any of its Restricted Subsidiaries that is a Significant Subsidiary shall, after the Issuance Date:
  - (i) make a general assignment for the benefit of its creditors,
  - (ii) be adjudicated bankrupt or insolvent, or
  - (iii) (A) file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors pursuant to a *concurso preventivo de acreedores*, (B) seek approval of its creditors for an *acuerdo preventivo extrajudicial* through any means, including the distribution of an offering circular or similar disclosure materials to creditors in connection with such *acuerdo preventivo extrajudicial*, (C) file for court endorsement of an *acuerdo preventivo extrajudicial*, (D) apply for or consent to the appointment (in a similar court proceeding) of a receiver, trustee, liquidator or the like for itself or its property or (E) make a similar court filing seeking to take advantage of any applicable insolvency law;
- (j) after the Issuance Date and without its application, approval or consent, a proceeding shall be instituted in any court of competent jurisdiction, seeking in respect of Edenor or any of its Restricted Subsidiaries that is a Significant Subsidiary adjudication in bankruptcy, reorganization, dissolution, winding up, liquidation, a composition or arrangement with creditors, the appointment of a trustee, a receiver, liquidator or the like of Edenor or any of its Restricted Subsidiaries that is a Significant Subsidiary or of all of the assets thereof or other like relief in respect of Edenor or any of its Restricted Subsidiaries that is a Significant Subsidiary under any applicable bankruptcy or insolvency law, and either
  - (i) such proceeding shall not be actively contested by Edenor or such Restricted Subsidiary in good faith, or
  - (ii) any order, judgment or decree shall be entered by any court of competent jurisdiction to effect any of the foregoing;
  - (k) any condemnation, seizure, compulsory purchase or expropriation, or taking into custody or control, by any governmental authority or agency of assets or share capital of Edenor or its Restricted Subsidiaries which, in the aggregate, would be likely to have a material adverse effect upon the business and results of operations of Edenor and its Restricted Subsidiaries taken as a whole; or
  - (l) a general moratorium shall be agreed or declared in respect of the payment or performance of the obligations of Edenor or any of its Restricted Subsidiaries that is a Significant Subsidiary.

If an Event of Default occurs and is continuing with respect to the notes, the Trustee may and, at the direction or request of the holders of not less than 25% of the then outstanding aggregate principal amount of the

notes shall, by notice in writing to Edenor, declare the principal amount of, and interest accrued on, the notes to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable upon the date that such written notice is received by or on behalf of Edenor.

After a declaration of acceleration of the notes, but before a judgment or decree of the money due in respect of the notes has been obtained, the holders of not less than a majority of the then outstanding aggregate principal amount of the notes, may rescind, by written notice to the Trustee, an acceleration and its consequences if all existing Events of Default (other than the nonpayment of principal and interest and any Additional Amounts on the notes, which have become due solely by virtue of such acceleration) have been cured or waived and if the rescission would not conflict with any judgment or decree. No such rescission shall affect any subsequent Event of Default or impair any right consequent thereto.

### **Redemption at Edenor’s Option on or after October 25, 2018**

At any time on or after October 25, 2018 and prior to maturity, upon not less than 30 nor more than 60 days’ notice to the Trustee, Edenor may redeem all or part of the notes. These redemptions will be in amounts of U.S. \$2,000 or integral multiples of U.S. \$1,000 in excess thereof at the following redemption prices (expressed as percentages of their principal amount at maturity) plus, in each case, accrued and unpaid interest and Additional Amounts, if any, to the redemption date, if redeemed during the 12-month period commencing on October 25 of the years set forth below. This redemption is subject to the right of holders of record on the relevant regular Record Date that is prior to the Redemption Date to receive interest due on an Interest Payment Date.

<b>Year</b>	<b>Redemption Price</b>
2018	104.8750%
2019	102.4375%
2020	101.2188%
2021 and thereafter	100.0000%

If the Company has not previously redeemed the notes in accordance with the procedures described above, the Company will redeem the Notes at maturity at a price of 100%.

Notice of redemption will be given as described under “—Notices to Holders of Notes.”

Subject to the foregoing, in the case of any Optional Redemption of less than all of the notes, such notes will be redeemed, to the extent permitted under applicable law and securities exchange rules, on a *pro rata* basis. If any notes are to be redeemed only in part, the notice of redemption relating to such notes shall state the portion of the principal amount thereof to be redeemed. Notes in principal amount equal to the unredeemed portion thereof will be issued in the name of the holder thereof upon cancellation of the original notes. Interest, if any, will cease to accrue on the notes or portions thereof called for redemption on the later of the redemption date or the date on which the relevant redemption price is effectively paid to holders of notes or portions thereof called for redemption.

### **Repurchase at the Option of Holders Upon a Change of Control**

If a Change of Control occurs, each holder of the notes will have the right to require Edenor to repurchase all or any part (in any integral multiple of U.S. \$1,000) of that holder’s notes pursuant to an offer (the **Change of Control Offer**) made by Edenor on the terms set forth in the Indenture. In the Change of Control Offer, Edenor will offer to purchase such holder’s notes at a purchase price in cash equal to 100% of the aggregate principal amount of such notes to be repurchased plus accrued and unpaid interest and Additional Amounts, if any, on such notes to be repurchased to the date of purchase, subject to the rights of holders of such notes on the relevant record date to receive interest due on the relevant Interest Payment Date (the **Change of Control Payment**). Within 30 days following a Change of Control, Edenor will mail a notice to each holder describing the transaction or transactions that constitute the Change of Control and offering to repurchase the applicable notes on a date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed (the **Change of Control Payment Date**), pursuant to the procedures required by the Indenture and described in such notice. To the extent that the provisions of any securities laws or regulations to be issued in the future conflict with the Change of Control provisions of the Indenture, Edenor will make the Change of Control Offer in accordance with the applicable provisions of the securities laws and regulations (and the terms set forth herein that do not

conflict with such provisions) and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such compliance.

On the Change of Control Payment Date, Edenor will, to the extent lawful:

- (a) accept for payment all notes or portions of notes properly tendered pursuant to the Change of Control Offer;
- (b) deposit with the Trustee an amount equal to the Change of Control Payment in respect of all notes or portions of notes properly tendered; and
- (c) deliver or cause to be delivered to the Trustee the notes properly accepted together with an Officers' Certificate stating the aggregate principal amount of notes or portions of notes being purchased by Edenor.

The Trustee will promptly deliver to each holder of notes properly tendered the Change of Control Payment for such notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new Note equal in principal amount to any unpurchased portion of the notes surrendered, if any. Edenor will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

Edenor will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by Edenor and purchases all notes properly tendered and not withdrawn under the Change of Control Offer, or (2) notice of redemption has been given pursuant to the Indenture as described above under “—Optional Redemption,” unless and until there is a default in payment of the applicable redemption price.

#### **Redemption for Taxation Reasons**

The notes may be redeemed at our option in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' written notice (which will be irrevocable) to the Trustee and, if applicable, to the CNV, in writing and to the Luxembourg Stock Exchange, if the rules of such exchange so require, such notice to be given by publication in the English language in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort* or the *Tageblatt*), or, alternatively, on the website of the Luxembourg Stock Exchange at <http://www.bourse.lu>. The notes may be redeemed at a redemption price equal to 100% of the outstanding principal amount thereof, together with any accrued but unpaid interest and any Additional Amounts to the date fixed for redemption, if, as a result of any change in, or amendment to, the laws (or any regulations or rulings issued thereunder) of the Republic of Argentina or any political subdivision of or any taxing authority in the Republic of Argentina (each an **Argentine Tax Jurisdiction**) or any change in the application, administration or official interpretation of such laws, regulations or rulings, including, without limitation, the holding of a court of competent jurisdiction, we have or will become obligated to pay Additional Amounts with respect to a payment on or in respect of the notes, which change or amendment becomes effective on or after the date of issuance of the notes (or, in the case of a successor Person to Edenor, as of the date such Person assumes the obligations of Edenor), and we determine in good faith that such obligation cannot be avoided by our taking reasonable measures available to us. No such notice of redemption may be given earlier than 60 days prior to the earliest date on which we would be obligated to pay such Additional Amounts were a payment in respect of the notes then due. Prior to the distribution of any notice of redemption pursuant to this paragraph, we will deliver to the Trustee a certificate signed by a duly authorized officer stating that we have or will become obligated to pay Additional Amounts as a result of such change or amendment, and that such obligation cannot be avoided by our taking reasonable measures available to us. We will also deliver to the Trustee, prior to the distribution of such notice, an opinion of counsel to the effect that as a result of such change or amendment we will be obligated to pay Additional Amounts. The Trustee will be entitled to accept such certificate and such opinion as sufficient evidence of the satisfaction of the conditions precedent contained in the second preceding sentence, in which event it will be conclusive and binding on the holders.

### **No Liability of Directors, Officers, Employees, Incorporators, Members, and Stockholders**

Except as specifically provided under Argentine Law, no director, officer, employee, member of the Statutory Audit Committee, incorporator, member or stockholder of Edenor will have any liability for any obligations of Edenor under the notes or the Indenture, or for any claim based on, in respect of, or by reason of, such obligations. Each holder of the notes by accepting such notes waives and releases all such liability. The waiver and release are part of the consideration for issuance of the notes. The waiver may not be effective to waive liabilities under the federal securities laws of the United States and it is the view of the SEC that such a waiver is against public policy.

### **Foreign Exchange Restrictions**

In the event of any foreign exchange restriction or prohibition in Argentina, Edenor shall make any and all payments of any Note in Dollars by:

- purchasing, with Pesos, *Bonos Externos Globales de la República Argentina* issued by Argentina and payable in Dollars or any other public or private securities issued in Argentina and denominated in Dollars, or any other securities (collectively, the **Securities**) and selling such instruments outside Argentina for Dollars, or
- any other legal mechanism for the acquisition of Dollars in any exchange market.

In addition, in the event of any foreign exchange restriction or prohibition in Argentina, any holder of notes may, to the extent legally permitted, elect to receive the payment in an amount equivalent to the Peso amount necessary for purchasing Securities and the reasonable and customary cost of transferring and selling such Securities outside Argentina for Dollars in an amount equivalent to the sums due and payable under the notes. Such payment will discharge and satisfy Edenor's payment obligations to such holders on such payment date. In each case all reasonable and customary costs, including any taxes, relative to such operations to obtain foreign currency will be borne by Edenor.

In addition, in the event of any restriction or prohibition in Argentina to pay in foreign currency any obligations under the notes to any holder of notes that is a resident in Argentina, Edenor shall make its best efforts to obtain the corresponding authorization of the Central Bank to make such payments in U.S. Dollars. However, if such authorization cannot be obtained after reasonable attempts, Edenor shall pay such holder the Peso equivalent amount of the foreign currency amount due on the relevant payment date, or to the extent the depositary or its nominee, as the holder of notes, does not accept Pesos, then we will make such payments of Peso equivalents directly to the depositary participants holding a beneficial interest in the notes.

Such payments in Pesos will be calculated using the U.S.\$/ Peso exchange rate quoted by Reuters Screen "ARSVH=" ASK SIDE (*Valor Hoy Mercado*) at 12:00 p.m. New York City time on the payment date; *provided* that (i) if the U.S.\$/ Peso exchange rate does not appear on such Reuters Screen, the U.S.\$/ Peso exchange rate shall mean, with respect to the payment date, the U.S.\$/ Peso exchange rate which appears on Bloomberg L.P. (Bloomberg Screen (ARS currency)-ASK SIDE-PCS Composite (NY)) at 12:00 p.m. New York City time on such payment date. Such payment in Pesos will fully discharge and satisfy Edenor's payment obligation to such holder on the payment date and shall not constitute an Event of Default.

### **Judgment Currency**

If, for the purpose of obtaining judgment in any court, it is necessary to convert a sum due under the Indenture or under the notes from one currency into another currency, we have agreed and each holder agrees, to the fullest extent that we and each holder may effectively do so, that the rate of exchange used shall be the rate at which, in accordance with normal banking procedures, such holder could purchase the first currency with such other currency in the city that is the principal financial center of the country of issue of the first currency on the day, two Business Days preceding the day on which final judgment is given, which is also a day on which banks are open in Argentina.

To the extent permitted by applicable law, our obligation in respect of any sum payable by us to a holder shall, notwithstanding any judgment in a currency, which we refer to as the **Judgment Currency**, other than that in which such sum is denominated in accordance with the applicable provisions of the Indenture, which we refer to as the Security Currency, be discharged only to the extent that on the Business Day following receipt by such holder of any sum adjudged to be so due in the Judgment Currency, such holder may in accordance with normal banking procedures purchase the Security Currency with the Judgment Currency. If the amount of the Security Currency so purchased is less than the sum originally due to such holder in the Security Currency, determined in the manner set forth above, we have agreed, as a separate obligation and notwithstanding any such judgment, to indemnify such holder against such loss, and if the amount of the Security Currency so purchased exceeds the sum originally due to such holder, such holder agrees to remit to us such excess; *provided* that such holder shall have no obligation to remit any such excess as long as we shall have failed to pay such holder any obligation due and payable under the Indenture in which case any such excess may be applied to such obligations of ours under the Indenture or the notes.

### **Additional Amounts**

All payments of principal, premium or interest by us in respect of the notes will be made without deduction or withholding for or on account of any present or future taxes, penalties, fines, duties, assessments or other governmental charges of whatever nature imposed or levied by or on behalf any Argentine Tax Jurisdiction (**Argentine Taxes**), unless we are or our paying agent is compelled by law to deduct or withhold such Argentine Taxes. In any such event, we will pay such additional amounts (**Additional Amounts**) in respect of Argentine Taxes as may be necessary to ensure that the amounts received by the holders and beneficial owners of such notes after such withholding or deduction will equal the respective amounts that would have been received in respect of such notes in the absence of such withholding or deduction, except that no such Additional Amounts will be payable:

- (1) to or on behalf of a holder or beneficial owner of a Note that is liable for Argentine Taxes in respect of such Note by reason of having a present or former connection with an Argentine Tax Jurisdiction other than merely the holding or owning of such Note or the enforcement of rights with respect to such Note or the receipt of income or any payments in respect thereof;
- (2) to or on behalf of a holder or beneficial owner of a Note in respect of Argentine Taxes that would not have been imposed but for the failure of the holder or beneficial owner of a Note to comply with any certification, identification, information, documentation or other reporting requirement (within 45 calendar days following a written request from us to the holder or beneficial owner, as applicable, for compliance) if such compliance is required by applicable law, regulation, administrative practice or an applicable treaty as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Argentine Taxes;
- (3) to or on behalf of a holder or beneficial owner of a Note in respect of any estate, inheritance, gift, sales, transfer, personal assets or similar tax, assessment or other governmental charge;
- (4) to or on behalf of a holder or beneficial owner of a Note in respect of Argentine Taxes payable otherwise than by withholding from payment of principal of, premium, if any, or interest on the notes;
- (5) to or on behalf of a holder or beneficial owner of a Note in respect of any Taxes that are imposed on a payment to an individual and are required to be made pursuant to European Council Directive 2003/48/E on the taxation of savings income or any other directive implementing the conclusions of the ECOFIN Council meetings of November 26 and 27, 2000, December 13, 2001, and January 21, 2003, or any law implementing or complying with, or introduced in order to conform to, such a directive;
- (6) to or on behalf of a holder or beneficial owner of a Note in respect of any Taxes that would not have been imposed if presentation for payment of the relevant notes had been made to a paying agent other than the paying agent to which the presentation was made;
- (7) to or on behalf of a holder or beneficial owner of a Note in respect of Argentine Taxes that would not have been imposed but for the fact that the holder presented such Note for payment (where

presentation is required) more than 30 days after the later of (x) the date on which such payment became due and (y) if the full amount payable has not been received by the Trustee on or prior to such due date, the date on which, the full amount is received and notice of such receipt has been given to the holders by the Trustee; or

- (8) any combination of items (1) to (7) above;

nor will Additional Amounts be paid with respect to any payment of the principal of, or any premium or interest on, any notes to any holder or beneficial owner of a Note who is a fiduciary or partnership or limited liability company or other than the sole beneficial owner of such payment to the extent such payment would be required by the laws of an Argentine Tax Jurisdiction to be included in the income for tax purposes of a beneficiary or settlor with respect to such fiduciary or a member of such partnership, limited liability company or beneficial owner who would not have been entitled to such Additional Amounts had it been the holder of such notes.

To the extent required by applicable law, we will withhold or deduct any Argentine Taxes required by such law and remit the full amount deducted or withheld to the relevant authority.

We will furnish to the Trustee, within 60 days after the date of receipt of written request from the holders or beneficial owners of the notes through the Trustee, copies of such receipts evidencing the payment of any Argentine Taxes so deducted or withheld in such form as provided in the normal course by the taxing authority imposing such Argentine Taxes and as is reasonably available to us or to the Trustee. The Trustee will make such evidence available to the holders or beneficial owners of notes upon request.

All references in this offering memorandum to principal, premium or interest payable hereunder will be deemed to include references to any Additional Amounts payable with respect to such principal, premium or interest except in "Taxation" below. We will provide the Trustee with documentation reasonably satisfactory to the Trustee evidencing the payment of any amounts deducted or withheld promptly upon our payment thereof, and copies of such documentation will be made available by the Trustee to holders upon written request to the Trustee.

We will pay any present or future stamp, issue, registration, court, documentation, excise or other similar taxes, charges and duties, including interest and penalties with respect thereto, imposed by any Argentine Tax Jurisdiction in respect of the execution, issue, registration or delivery of the notes or any other document or instrument referred to under a Note and any such taxes, charges or duties imposed by any jurisdiction as a result of, or in connection with, the enforcement of the notes and/or any other such document or instrument.

The obligations described under this heading will survive any termination, defeasance or discharge of the Indenture and will apply *mutatis mutandis* to any successor Person to Edenor and to any jurisdiction in which such successor is organized or is otherwise resident for tax purposes or any jurisdiction from or through which payment is made by such successor or its respective agents.

### **Listing**

With respect to the notes, Edenor will use its reasonable best efforts to obtain and maintain a listing on the Buenos Aires Stock Exchange, the admission to trading on the *Mercado Abierto Electrónico S.A.*, a listing on the Luxembourg Stock Exchange and the admission to trading on the Euro MTF market of the Luxembourg Stock Exchange. In the event that the notes are admitted to trading on Euro MTF market, Edenor will use commercially reasonable efforts to maintain such listing; *provided* that Edenor may terminate such listing and delist the notes from Euro MTF market if it determines that the provisions of the European Transparency Obligations Directive (2003/2004/COD) or other applicable legislation becomes unduly onerous or burdensome, in which case Edenor will use commercially reasonable efforts to obtain an alternative admission to listing, trading and/or quotation for the notes by another listing authority, exchange and/or system within or outside the European Union, as it may decide and to the extent feasible.

### **Repurchase**

Edenor may at any time and from time to time purchase notes to the extent permitted by applicable law.

### **Meetings of Holders of Notes**

The Indenture contains provisions permitting Edenor at any time to call meetings of the holders of the notes for the purpose of entering into a supplemental indenture as provided below approving a modification or amendment to, or obtaining a waiver of, any provision of the Indenture or the notes. In addition, Edenor shall upon the written request of the Trustee or of holders of at least 5% in aggregate principal amount of notes at the time outstanding, call such a meeting and such meeting shall be convened within 40 days from the date such request is received by Edenor.

For so long as applicable Argentine laws and regulations so require, meetings will be called by publications in the Official Gazette of the Republic of Argentina, the Buenos Aires Stock Exchange Bulletin and in a newspaper of wide circulation in Argentina during 5 days within a period of no more than 30 days nor less than 10 days before the day scheduled for the meeting. Notices will also be published in a daily leading newspaper having general circulation in Luxembourg, so long as the notes are admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange, and the rules of such exchange so require.

The holders, whether present or represented by proxy, entitled to vote 60% in aggregate principal amount of the notes at the time outstanding (or such greater percentage as may be required under applicable Argentine law) will initially be required for a quorum at any such meeting. In the absence of a quorum at any such meeting, the meeting may be adjourned for a period of not less than 10 days nor more than 30 days, as determined by the chairman of the meeting. At any meeting adjourned for lack of quorum, the persons entitled to vote 30% of the aggregate principal amount of the notes at the time outstanding (or such greater percentage as may be required under applicable Argentine law) shall constitute a quorum at any such reconvened adjourned meeting.

At any such meeting at which the proper quorum is present, any resolution to modify or amend, or to waive compliance with, any of the provisions of the notes, or the Indenture shall be effectively passed and decided if approved by the persons entitled to vote not less than a majority of the aggregate principal amount of such notes, present at the meeting, except for those provisions requiring consent of all holders of notes of any notes so affected as described under “—Modifications, Amendments, Consents and Waivers.”

The Indenture also set forth certain additional requirements as to the credentials necessary for attendance at a meeting of holders in person or by proxy and as to the procedures to be observed at any such meeting.

Any notes purchased by Edenor or any of its Affiliates, while held by or on behalf of Edenor or any of its Affiliates, shall not entitle the holder to vote at any meeting of holders of notes and shall not be deemed to be outstanding for the purpose of calculating quorums at meetings of holders of notes.

### **Modifications, Amendments, Consents and Waivers**

The Indenture may be amended by the Trustee and Edenor at any time for the purpose of, among other things, curing any ambiguity, or curing, correcting or supplementing any defective provision contained in the Indenture, the notes or any supplemental Indenture or conforming any provision in the Indenture to this Description of the notes, or adding to the covenants of the notes for the benefit of the holders of the notes or to surrender any right or power therein conferred upon Edenor, securing the notes or making other changes which do not adversely affect the rights of any of the holders of the notes in any material respect. In formulating its opinion on such matters, the Trustee will be entitled to rely on such evidence as it deems appropriate, including an opinion of counsel.

In addition, the Indenture provides that with

- (i) the consent of the holders of not less than a majority of the then outstanding aggregate principal amount of all of the notes affected by such supplemental indenture (voting as a single class) present or represented at a meeting at which a quorum is present, or
- (ii) to the extent permitted under Argentine law, the written consent of the holders of not less than a majority of the then outstanding aggregate principal amount of all of the notes affected by such supplemental Indenture (voting as a single class),

Edenor and the Trustee may, from time to time and at any time, enter into an indenture or indentures supplemental to the Indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture, the notes or of any supplemental indenture or of modifying in any manner the rights of the holders of the notes; *provided* that the unanimous affirmative vote of the holders of all of the notes affected thereby, shall be required to approve any supplemental indenture which:

- extends the final maturity of the notes or the date on which any installment of principal is due,
- reduces the principal amount of the notes,
- reduces the rate or extends the time of payment of interest on the notes,
- changes the obligation to pay Additional Amounts,
- changes the currency of payment of principal of or interest on the notes (including Additional Amounts),
- changes the governing law,
- impairs or affects the right of any holder of notes to institute suit for the payment thereof,
- changes any prepayment provision that would alter the *pro rata* sharing of payments required thereby,
- modifies the number of holders necessary to waive an Event of Default,
- reduces the percentage in principal amount of outstanding notes that is required for the adoption of a resolution at a meeting of holders of such notes,
- reduces the percentage in principal amount of outstanding notes that is required to for a quorum at a meeting of holders of such notes,
- reduces the percentage in principal amount of outstanding notes that is required to request the calling of a meeting of holders of such notes, or
- modifies the provisions of the Indenture with respect to modification and waiver, except to increase any percentage or to provide that other provisions of the Indenture cannot be modified or waived without the consent of the holder of each outstanding Note affected thereby.

Promptly after the execution by Edenor and the Trustee of any supplemental indenture, Edenor shall give notice thereof to the holders of the notes affected thereby as specified in the Indenture (as described below under “Notices to Holders of Notes”) setting forth in general terms the substance of such supplemental indenture. Any failure of Edenor to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental Indenture.

Edenor may omit in any particular instance to comply with any covenant or condition contained in the Indenture if before the time for such compliance the holders of at least a majority in principal amount of outstanding notes shall have either waived such compliance in such instance or generally waived compliance with such covenant or condition, but no such waiver shall extend to or affect such covenant or condition except to the extent so expressly waived, and, until such waiver shall become effective, Edenor’s obligations and the duties of the Trustee in respect of any such covenant or condition shall remain in full force and effect.

#### **Enforcement by Holders of Notes**

Subject to the following paragraphs and except as provided in the Indenture, no holder of any Note will have any right by virtue of or by availing itself of any provision of the Indenture or the notes to institute any suit, action or proceeding in equity or at law, or otherwise, upon or under or with respect to the Indenture, or the notes, or for any remedy thereunder, unless:



- such holder previously shall have given to the Trustee written Notice of Default and of the continuance thereof,
- the holders of not less than 25% of the aggregate principal amount of the then outstanding notes shall have made written request upon the Trustee to institute such action or proceedings in its own name as Trustee under the Indenture and shall have offered to the Trustee a customary indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and
- the Trustee for 30 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such action or proceeding and no direction inconsistent with such written request shall have been given to the Trustee pursuant to the Indenture.

Notwithstanding the preceding paragraph, the right of any holder of notes to receive payment of the principal of and interest on such notes (including Additional Amounts) on or after the respective due dates expressed in such notes or to institute suit (including any *acción ejecutiva individual* pursuant to Article 29 of the Negotiable Obligations Law) for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such holder. To that effect, any beneficial owner of global notes will have the right to obtain evidence of its beneficial ownership interest in a global Note in accordance with Argentine Decree 677/01, as amended (including for initiating summary proceedings (*acción ejecutiva*) in the manner provided by the Negotiable Obligations Law), and for such purposes, such beneficial owner will be treated as the owner of that portion of the global note which represents its beneficial ownership interest therein.

#### **Notices to Holders of Notes**

Edenor is required to give notice to the Trustee of any event that requires notice to be given to the holders of the notes in sufficient time for the Trustee to provide such notice to such holders in the manner provided in the Indenture. All notices regarding the notes will be given to the holders of the notes by the Trustee.

Except in the case of meetings which shall be governed by the section “—Meetings of Holders of Notes,” all notices regarding the notes will be deemed to have been duly given to the holders of the notes if:

- (a) in writing and mailed, first class postage prepaid, to each holder of a Note at the address of such holder as it appears in the register, not earlier than the earliest date and not later than the latest date prescribed for the giving of such notice and any such notice shall be deemed to have been given on the date of such mailing; and
- (b) for so long as applicable Argentine laws or regulations so require, in the case of Argentine holders upon publication:
  - (i) in the Bulletin of the Bolsa or in the Bulletin of the *Mercado Abierto Electrónico S.A.* in Buenos Aires (so long as the notes are listed on the Buenos Aires Stock Exchange or on the *Mercado Abierto Electrónico S.A.*, as the case may be),
  - (ii) in a leading newspaper having general circulation in Buenos Aires (which is expected to be *La Nación*), and
  - (iii) in the Official Gazette of the Republic of Argentina.
- (c) for so long as the notes to which such notice relates are admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange, and the rules of such exchange so require, upon publication in the English language in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort* or the *Tageblatt*), each such newspaper being published on each Business Day in morning editions, whether or not it shall be published in Saturday, Sunday or holiday editions, or, alternatively, on the website of the Luxembourg Stock Exchange at <http://www.bourse.lu>.

In addition, all notices will be given to the relevant clearing systems for delivery to owners of beneficial interests in the notes through DTC, Euroclear and Clearstream, Luxembourg.

Notices will be deemed to have been given on the date of publication as aforesaid or, if published on different dates, on the date of the last such publication.

For so long as applicable laws and regulations or rules of the relevant stock exchanges so require, Edenor will give notice of any payment of principal of or interest on the notes in the publications referred to above as required by such laws and regulations or such stock exchange rules and no later than the relevant payment date. Such notice will specify:

- the date of payment,
- the places where payment will be made,
- the hours during which such payment will be made, and
- whether the payment is with respect to principal or interest and the amount of each, as applicable.

In addition, Edenor will cause all such other publications of such notices as may be required from time to time by applicable Argentine law, including, without limitation, those required under the regulations issued by the CNV, the Luxembourg Stock Exchange and the Buenos Aires Stock Exchange.

#### **Defeasance and Covenant Defeasance**

Edenor may at its option by the resolution of the Board of Directors, at any time, upon the satisfaction of certain conditions described below, elect to be discharged from its obligations with respect to the notes (**defeasance**) on the date the conditions set forth below are satisfied with respect to such notes. Such defeasance means that Edenor shall be deemed to have paid and discharged the entire indebtedness represented by the outstanding notes and to have satisfied all its other obligations under such notes and the Indenture insofar as such notes are concerned, except for the following:

- (a) the rights of holders of such notes to receive, as described below, payment in respect of the principal of and interest on such notes when such payments are due,
- (b) Edenor's obligations with respect to such notes concerning registration, transfer and exchange of notes, mutilated, defaced, destroyed, stolen and lost notes, and the maintenance of an office or agency for payment and money for payments held in trust,
- (c) the rights, powers, trusts, duties and immunities of the Trustee under the Indenture, and
- (d) the defeasance provisions of the Indenture.

In addition, Edenor may at its option by the resolution of the Board of Directors, at any time, upon the satisfaction of the conditions described hereunder, elect to be released from its obligations with respect to the covenants described above under the caption "Certain Covenants" (covenant defeasance). Following such covenant defeasance, the occurrence of a breach or violation of any such covenants shall not constitute an Event of Default under the Indenture.

In order to exercise either defeasance or covenant defeasance, Edenor shall be required to satisfy the following conditions:

- (a) Edenor shall irrevocably have deposited or caused to be deposited with the Trustee funds in trust, for the benefit of holders of the notes, cash in Dollars or U.S. Government Obligations, or a combination thereof, sufficient, in the opinion of a recognized firm of independent certified public accountants, to pay and discharge the principal of and each installment of interest (and Additional

Amounts) on such notes on the stated maturity of such principal or installment of interest in accordance with the terms of the Indenture and of the notes;

- (b) in the case of defeasance, Edenor shall have delivered to the Trustee an Opinion of Counsel stating that (i) Edenor has received from, or there has been published by, the United States Internal Revenue Service a ruling (that in each case applies to the defeasance) or (ii) since the date of the Indenture there has been a change in the applicable United States federal income tax law, in either case to the effect that the holders of the outstanding notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such deposit, defeasance and discharge and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such deposit, defeasance and discharge had not occurred;
- (c) in the case of covenant defeasance, Edenor shall have delivered to the Trustee an Opinion of Counsel to the effect that the holders of the respective outstanding notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such deposit and covenant defeasance and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such deposit and or covenant defeasance had not occurred;
- (d) no Event of Default or event which with the giving of notice, lapse of time or satisfaction or any other condition or any combination of the foregoing would become an Event of Default shall have occurred and be continuing on the date of such deposit or will occur as a result of such deposit or, insofar as Events of Default resulting from bankruptcy or insolvency events are concerned, at any time during the period ending on the 121st day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until the expiration of such period);
- (e) such defeasance or covenant defeasance shall not cause the Trustee to have a conflicting interest as defined in the Indenture and for purposes of the Trust Indenture Act with respect to any securities of Edenor;
- (f) such defeasance or covenant defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which Edenor is a party or by which it is bound;
- (g) Edenor shall have delivered to the Trustee an Officers' Certificate stating that all conditions precedent provided for relating to either defeasance or covenant defeasance, as the case may be, have been complied with and no violations under instruments or agreements governing any other outstanding Indebtedness of Edenor would result as a consequence of such defeasance or covenant defeasance, as the case may be;
- (h) Edenor has delivered to the Trustee, subject to certain exceptions set forth in the Indenture, an opinion of its Argentine counsel to the effect that after two years following the deposit, the trust funds deposited in accordance with Argentine Law No. 24,441 will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally under the laws of Argentina; and
- (i) Edenor shall have paid or duly provided for payment of all amounts then due to the Trustee pursuant to the terms of the Indenture.

#### **Trustee**

The Bank of New York Mellon, with offices at 101 Barclay Street, Floor 4 East, New York, New York 10286, Corporate Trust Administration—Global Finance Unit will serve as trustee under the Indenture. The Trustee will designate a representative in Argentina in accordance with the Indenture.

The Indenture contains provisions for the indemnification of the Trustee and for its relief from responsibility. The obligations of the Trustee to a holder of a Note are subject to such immunities and rights as are set forth in the Indenture.

With respect to the holders of notes issued under the Indenture, the Trustee, prior to the occurrence of an Event of Default with respect to the notes and after the curing or waiving of all Events of Default which may have occurred with respect to such notes, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture. In case an Event of Default with respect to the notes has occurred (which has not been cured or waived) the Trustee will exercise such rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his/her own affairs. No provision of the Indenture will be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

- (a) prior to the occurrence of an Event of Default with respect to the notes and after the curing or waiving of all such Events of Default with respect to the notes which may have occurred:
  - (i) the duties and obligations of the Trustee with respect to the notes will be determined solely by the express provisions of the Indenture, and the Trustee will not be liable except for the performance of such duties and obligations as are specifically set forth in the Indenture, and no implied covenants or obligations will be read into the Indenture against the Trustee; and
  - (ii) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any statements, certificates or opinions furnished to the Trustee and conforming to the requirements of the Indenture; but in the case of any such statements, certificates or opinions which by any provision of the Indenture are specifically required to be furnished to the Trustee, the Trustee will be under a duty to examine the same to determine whether or not they conform to the requirements of the Indenture;
- (b) the Trustee will not be liable for any error of judgment made in good faith by an officer or officers of the Trustee, unless it is proven that the Trustee was negligent in ascertaining the pertinent facts; and
- (c) the Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of notes in the manner provided in the Indenture relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under the Indenture.

None of the provisions contained in the Indenture will require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if there is reasonable ground for believing that the repayment of such funds or adequate indemnity against such liability is not reasonably assured to it.

Subject to the other applicable provisions of the Indenture:

- (a) the Trustee may rely and will be protected in acting or refraining from acting upon any resolution of the Board of Directors, order given by Edenor, Officers' Certificate or any other certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, note, coupon, security or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;
- (b) any request, direction, order or demand of Edenor mentioned in the Indenture will be sufficiently evidenced by an order given by Edenor (unless other evidence in respect thereof is specifically prescribed); and any resolution of the Board of Directors may be evidenced to the Trustee by a copy thereof certified by the secretary or an assistant secretary of Edenor;

- (c) the Trustee may consult with counsel and experts and any advice or opinion of Counsel or expert will be full and complete authorization and protection in respect of any action taken, suffered or omitted to be taken by it under the Indenture in good faith and in accordance with such advice or opinion of Counsel or expert, as the case may be;
- (d) the Trustee will be under no obligation to exercise any of the trusts or powers vested in it by the Indenture at the request, order or direction of any of the holders of notes pursuant to the provisions of the Indenture, unless such holder of notes have offered to the Trustee security satisfactory to the Trustee or indemnity against the costs, expenses and liabilities which might be incurred therein or thereby;
- (e) the Trustee will not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion, rights or powers conferred upon it by the Indenture;
- (f) prior to the occurrence of an Event of Default under the Indenture and after the curing or waiving of all Events of Default, the Trustee will not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, appraisal, bond, debenture, note, coupon, security, or other paper or document unless requested in writing so to do by the holders of not less than a majority of the aggregate principal amount of the notes affected then outstanding; *provided* that, if the payment within a reasonable time to the Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not reasonably assured to the Trustee by the security afforded to it by the terms of the Indenture, the Trustee may require reasonable indemnity against such expenses or liabilities as a condition to proceeding; the reasonable expenses of every such investigation will be paid by Edenor or, if paid by the Trustee or any predecessor trustee, will be repaid by Edenor upon demand; and
- (g) the Trustee may execute any of the trusts or powers under the Indenture or perform any duties under the Indenture either directly or by or through agents, representatives or attorneys not regularly in its employ; *provided* that the Trustee will not be responsible for any misconduct or negligence on the part of any such agent, representative or attorney appointed by it under the Indenture with the approval of Edenor and that is acting in a capacity that has been approved by Edenor (which approvals will not be unreasonably withheld).

The recitals contained in the Indenture and in the notes, except the Trustee's certificates of authentication, are to be taken as the statements of Edenor, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representation as to the validity or sufficiency of the Indenture or of the notes. The Trustee will not be accountable for the use or application by Edenor of any of the notes or of the proceeds thereof.

### **Replacement of Trustee**

The Trustee may resign at any time by giving written notice thereof to Edenor. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee. The Trustee may be removed at any time by Act of the holders, as defined in the Indenture, of a majority in principal amount of the notes then outstanding, delivered to the Trustee and to Edenor.

Edenor may remove the Trustee, and any holder who has been a bona fide holder of a Note for at least six months may petition a court of competent jurisdiction for the removal of the Trustee, if at any time (a) the Trustee shall have a conflict or shall cease to be a corporate trustee and shall fail to cure such condition after written request therefor by Edenor or by any holder who has been a bona fide holder of a Note for at least six months and/or (b) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation.

Edenor shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee to all holders in the manner provided in "Notices to Holders of Notes" and to the CNV, including

by publication in the leading daily newspaper in Luxembourg. Each notice shall include the name of the successor Trustee and the address of its corporate trust office.

### **Paying Agents; Transfer Agents; Registrar**

Edenor has initially appointed the Trustee as the Paying Agent, Transfer Agent and co-Registrar. Edenor may at any time appoint additional or other Paying Agents, Transfer Agents, and Registrars and terminate the appointment thereof. So long as any of the notes remain outstanding, Edenor will maintain in New York City a Paying Agent or Registrar – where:

- the notes may be presented for payment,
- the notes may be presented for registration of transfer or exchange as provided in the Indenture, and
- notices and demands to or upon Edenor in respect of the notes or of the Indenture may be served.

In case Edenor fails to so designate or maintain any such Paying Agent or Registrar or fails to give notice of the location or of any change in the location thereof, presentations and demands may be made and notices may be served at the corporate trust office of the Trustee. So long as the listed notes are authorized for their public offering in Argentina and the rules of the CNV or other applicable Argentine law so require, or are listed on the Buenos Aires Stock Exchange or admitted to trading on the *Mercado Abierto Electrónico S.A.* and the rules of the Buenos Aires Stock Exchange, or of the *Mercado Abierto Electrónico S.A.*, as the case may be, so require, Edenor will maintain a Paying Agent, a Transfer Agent and a Registrar in Buenos Aires. In addition, so long as the notes are listed on the Luxembourg Stock Exchange or admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange, there will be a paying agent and a transfer agent in Luxembourg. Edenor will give to the Trustee written notice of the location of any such office or agency and of any change of location thereof.

### **Prescription**

Claims filed in Argentina courts for payment of principal in respect of the notes (including Additional Amounts), including actions to enforce judgments obtained from a New York court, shall be prescribed unless made within ten years of the due date for payment of such principal. Claims for the payment of interest, including actions to enforce judgments obtained from a New York court, shall be prescribed unless made within four years of the due date for payment of such interest.

Claims filed in the courts of the State of New York will be subject to the applicable statute of limitations for such claims, which currently is six years.

### **Authentication**

The notes and the coupons, if any, appertaining thereto will not become valid or obligatory until the certificate of authentication thereon will have been duly signed by the Trustee or its agent.

### **Replacement of Notes**

The Trustee is authorized, in accordance with and subject to applicable law, exchange regulations and any conditions set forth in the notes, to authenticate and deliver notes in exchange for or in lieu of notes that become mutilated, defaced, destroyed, stolen or lost. Notes will be exchanged in Luxembourg by the Trustee via the Luxembourg Agent. In every case, the applicant for a substitute note will be required to furnish to Edenor and to the Trustee such security or indemnity as may be required by each of them and, in every case of destruction, loss or theft, to evidence to their satisfaction of the apparent destruction, loss or theft of such note and of the ownership thereof.

### **Governing Law**

Argentine Law No. 23,576, as amended, governs the requirements for the notes to qualify as *obligaciones negociables* thereunder while such law, together with Argentine Law No. 19,550, as amended, and other applicable

Argentine laws and regulations, govern the capacity and corporate authorization of the Company to execute and deliver the notes and the Indenture and the authorization of the CNV for the public offering of the notes in Argentina. As to all other matters, the notes and the Indenture are governed and construed in accordance with the laws of the State of New York, United States of America.

### **Submission to Jurisdiction**

Any suit, action or proceeding against Edenor or its properties, assets or revenues with respect to the notes or the Indenture (a **Related Proceeding**) may be brought in the Supreme Court of the State of New York, County of New York; or in the United States District Court for the Southern District of New York; or in the courts of Argentina that sit in Buenos Aires, or in accordance with the provisions of Section 38 of Decree No. 677/2001, as the person bringing such Related Proceeding may elect in its sole discretion. Edenor has consented to the non exclusive jurisdiction of each such court for the purpose of any Related Proceeding and has irrevocably waived any objection to the laying of venue of any Related Proceeding brought in any such court and to the fullest extent it may effectively do so and the defense of an inconvenient forum to the maintenance of any Related Proceeding or any such suit, action or proceeding in any such court.

Edenor has agreed that service of all writs, claims, process and summonses in any Related Proceeding brought against it in the State of New York may be made upon CT Corporation System (the **Process Agent**), and Edenor irrevocably appointed the Process Agent as its agent and true and lawful attorney in fact in its name, place and stead to accept such service of any and all such writs, claims, process and summonses, and has agreed that the failure of the Process Agent to give any notice to it of any such service of process shall not impair or affect the validity of such service or of any judgment based thereon. Edenor has agreed to maintain at all times an agent with offices in New York City to act as its Process Agent. Nothing in the Indenture shall in any way be deemed to limit the ability to serve any such writs, process or summonses in any other manner permitted by applicable law. Edenor irrevocably waives trial by jury in any legal action or proceeding relating to the Indenture or the notes.

### **Waiver of Immunity**

To the extent that Edenor or any of its revenues, assets or properties shall be entitled, with respect to any Related Proceeding any time brought against Edenor or any of its revenues, assets or properties in the courts identified above, to any immunity from suit, from the jurisdiction of any such court, from attachment prior to judgment, from attachment in aid of execution of judgment, from execution of a judgment or from any other legal or judicial process or remedy, and to the extent that in any such jurisdiction there shall be attributed such an immunity, Edenor has irrevocably agreed not to claim and has irrevocably waived such immunity to the fullest extent permitted by law (including, without limitation, the Foreign Sovereign Immunities Act of 1976 of the United States). Edenor has agreed that final judgment in any such suit, action or proceeding brought in such a court will be conclusive and binding on it and may be enforced in any court to the jurisdiction of which Edenor is subject by a suit upon such judgment; *provided* that service of process is effected upon Edenor in the manner specified above or as otherwise permitted by law.

### **Payments and Paying Agencies**

Payments of principal of and interest on notes will be made (1) in the case of a Global Note (as defined below), by wire transfer in immediately available funds to an account maintained by the depositary with a bank in New York City, (2) in the case of a note in definitive form, either (A) by a check drawn on a bank in New York City mailed to the holder at such holder's registered address or (B) at Edenor's option, or upon application to the Trustee by the holder of at least U.S. \$1 million in principal amount of notes of a particular series issued in definitive form not later than the relevant Record Date, by wire transfer in immediately available funds to an account maintained by the holder with a bank in New York City.

Payments with respect to principal of the notes at maturity will be payable to the registered holder against presentation and surrender of such notes at the office of any paying agent. Payments with respect to principal (other than at maturity) of the notes and payment of interest on the notes will be made to the person in whose name such notes are registered on the Record Date, notwithstanding the cancellation of such notes upon any exchange or transfer subsequent to the Record Date and prior to such Interest Payment Date; *provided* that if and to the extent Edenor shall default in the payment of the interest due on such Interest Payment Date, such defaulted interest will be

paid to the person in whose name the notes are registered at the end of a subsequent record date established by Edenor by written notice given by mail by or on behalf of Edenor to the holders of the notes not less than 15 days preceding such subsequent record date, such record date to be not less than 15 days preceding the date of payment of such defaulted interest; *provided further*, that the interest payable upon maturity, redemption or repayment (whether or not the date of maturity, redemption or repayment is an Interest Payment Date) will be payable to the person to whom principal is payable.

Edenor expects that the depositaries for the Global Notes or their respective nominees, upon receipt of any payment of principal or interest in respect of a Global Note held by such depositaries or their respective nominees, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in such Global Note as shown on the records of the depositaries or their respective nominees. Edenor also expects that payments by participants to owners of beneficial interests in such Global Note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the name of nominees for such customers. Such payments will be the responsibility of such participants.

If the maturity date or any earlier redemption or repayment date of a Note would fall on a day that is not a Business Day, the payment of principal, and interest will be made on the next succeeding Business Day, and no interest on such payment will accrue for the period from and after such maturity, redemption or repayment date and to the next succeeding Business Day.

If any Interest Payment Date for a Note would fall on a day that is not a Business Day, such Interest Payment Date will be the following day that is a Business Day. Any payment made pursuant to the foregoing sentence on such a next Business Day will have the same force and effect as if made on the applicable Interest Payment Date, and no interest shall accrue on such payment for the period from and after such date and to the next succeeding Business Day.

Holders of notes who elect to receive payment of principal and/or interest or the redemption price, if any, in Argentina, must file an application at the specified domicile of the Paying Agent in Argentina between the fifth and the third Business Day prior to the relevant Interest Payment Date or redemption date thereof or at maturity in order to receive such payment on the relevant Interest Payment Date or redemption date or at maturity. Such filing shall be made by completing an application for payment, which is available at the specified domicile of the Paying Agent in Argentina. In such application for payment, each such holder will be required to indicate, among other things, whether or not such holder is subject to Section 4 of Decree 1076/92 of the executive branch of the Argentine government and to Title VI of the Argentine Income Tax Law (text of 1997 as restated). In the event that any such holder shall fail to make such filing between the fifth and third Business Day prior to the relevant Interest Payment Date or redemption date or at maturity, as applicable, such holder shall be entitled to receive the relevant payment on the third Business Day after such filing with the Paying Agent has taken place. All payments to be made by the Paying Agent in Argentina with respect to the notes shall be in cash or by wire transfer to an account of the holder in a bank located in Argentina (provided that the holder has provided the Paying Agent in Argentina with sufficient information concerning such account and bank not less than five Business Days prior to the relevant Interest Payment Date or redemption date thereof or at maturity).

Any holder of the notes subject to Title VI of the Argentine Income Tax Law (text of 1997 as restated), must present its notes exclusively to the Paying Agent in Argentina and comply with the preceding paragraphs in order to receive payments of principal and/or interest thereof or the redemption price thereof.

All moneys paid by or on behalf of Edenor to the Trustee or to any paying agent for payment of the principal of or interest on a note and not applied but remaining unclaimed for three years after the date upon which such amount shall have become due and payable shall, upon the written request of Edenor, be repaid to or for the account of Edenor by the Trustee or such paying agent, the receipt of such repayment to be confirmed promptly in writing by or on behalf of Edenor, and the holder of the notes shall thereafter look only to Edenor for payment that such holder may be entitled to collect, and all liability of the Trustee or such paying agent with respect to such moneys shall thereupon cease.



## Certain Definitions

**2017 Indenture** means the indenture, dated as of October 2007, among the Company and The Bank of New York, as Trustee, Co-Registrar and Paying Agent, and Banco Santander Río S.A. as Registrar, Transfer and Paying Agent in Argentina and Representative of the Trustee in Argentina.

**Affiliate** means, with respect to any Person, a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with such Person. For purposes of this definition, the term control shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether by ownership of share capital, by contract, by the power to appoint or remove a majority of the members of the governing body of that Person or otherwise; *provided* that, for purposes of “— Limitation on Transactions with Shareholders and Affiliates” only, the direct or indirect ownership of ten percent (10%) or more of the voting share capital of a Person is deemed to constitute control of that Person, and “controlling” and “controlled” have corresponding meanings.

**Argentine GAAP** means generally accepted accounting principles in Argentina consistently applied as adopted by the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires (*Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires*) and in accordance with the accounting regulations adopted by the CNV.

**Argentine Government** means the government of the Republic of Argentina or any agency or instrumentality thereof or any company controlled by the Argentine Government.

**Argentine Government Obligations** means obligations issued or directly and fully guaranteed or insured by the Republic of Argentina or by any agent or instrumentality thereof; *provided* that the full faith and credit of the Republic of Argentina is pledged in support thereof.

**Asset Sale** means any sale, lease, transfer or other disposition of any assets by Edenor or any Restricted Subsidiary, including, without limitation, by means of a Sale and Leaseback Transaction, or of a merger, consolidation or similar transaction or distribution of assets (other than Cash or Cash Equivalents or shares in Edenor or any Restricted Subsidiary) to any Person (each of the above referred to as a **disposition**), *provided* that the following are not included in the definition of “Asset Sale”:

- (a) the disposition by Edenor or any Restricted Subsidiary in the ordinary course of business of (i) Cash and Cash Equivalents or Permitted Investments, (ii) inventory and other assets acquired and held for resale in the ordinary course of business, (iii) damaged, worn out or obsolete assets, (iv) assets that are exchanged for or otherwise replaced in accordance with industry practice by comparable or superior assets within a reasonable time or (v) rights granted to others pursuant to leases or licenses;
- (b) the sale or discount of accounts receivable arising in the ordinary course of business in connection with the compromise or collection thereof of overdue and unpaid accounts receivable;
- (c) dispositions of Receivables and Related Assets in connection with a Permitted Receivables Financing;
- (d) the lease, assignment or sublease of any real or personal property in the ordinary course of business;
- (e) a transaction permitted by “Certain Covenants—Limitations on Mergers, Consolidations, Sales and Conveyances;;
- (f) any Restricted Payment permitted under “Certain Covenants—Limitation on Restricted Payments” or any Permitted Investments; or
- (g) dispositions of assets in any fiscal year with a fair market value in the aggregate not to exceed U.S. \$5 million (or its equivalent in other currencies).

**Board of Directors** means the board of directors of Edenor or any committee of the Board of Directors authorized to act on its behalf.

**Business Day** means any day except a Saturday, Sunday or other day on which commercial banks are authorized or required by law or regulation to close in New York City or in the city of Buenos Aires.

**Capital Stock** means capital stock or other equity participation, including partnership interests, or warrants, options or other rights to acquire capital stock or other equity participations, but excluding any debt security that is convertible into, or exchangeable for, capital stock or other such equity participations.

**Cash and Cash Equivalents** means:

- (a) any official currencies received or acquired in the ordinary course of business including, without limitation, Pesos, Euro, Dollars or any other currency of countries in which Edenor or its Subsidiaries has material operations;
- (b) U.S. Government Obligations or certificates representing an ownership interest in U.S. Government Obligations, or securities issued directly and fully guaranteed or insured by any member of the European Union, or any agency or instrumentality thereof (provided that the full faith and credit of such member is pledged in support of those securities) or other sovereign debt obligations (other than those of Argentina) rated “A” or higher or such similar equivalent or higher rating by at least one nationally recognized statistical rating organization as contemplated in Rule 436 under the Securities Act, in each case with maturities not exceeding one year from the date of acquisition;
- (c) Argentine Government Obligations (including those of the Central Bank), or quasi-currencies, bonds and other obligations issued, guaranteed or insured by any province or municipality of Argentina, or certificates representing an ownership interest in any of the foregoing with maturities not exceeding one year from the date of acquisition that, in each case, are in the reasonable judgment of the Company marketable securities, taking into consideration the number of dealers providing regular pricing information regarding such securities and engaging in market-making activities with respect to such securities;
- (d) (i) demand deposits, (ii) time deposits and certificates of deposit with maturities of one year or less from the date of acquisition, (iii) bankers’ acceptance with maturities not exceeding one year from the date of acquisition, and (iv) overnight bank deposits, in each case with any bank or trust company organized or licensed under the laws of Argentina or any state thereof that at the time of acquisition thereof has a local market credit rating of at least “BBB” (or the then equivalent grade) by S&P and the equivalent rating by Moody’s;
- (e) (i) demand deposits, (ii) time deposits and certificates of deposit with maturities of one year or less from the date of acquisition, (iii) bankers’ acceptances with maturities not exceeding one year from the date of acquisition, and (iv) overnight bank deposits, in each case with any bank or trust company organized or licensed under the laws of the United States or any state thereof or under the laws of any member state of the European Union, or under the laws of any country in which the Company has operations in each case whose head office’s senior short term debt is rated Investment Grade by at least one nationally recognized statistical rating organization as contemplated in Rule 436 under the Securities Act;
- (f) repurchase obligations with a term of not more than 30 days for underlying securities of the type described in clauses (b) and (c) above entered into with any financial institution meeting the qualifications specified in clause (e) above;
- (g) commercial paper rated Investment Grade by at least one nationally recognized statistical rating organization as contemplated in Rule 436 under the Securities Act and maturing within six months after the date of acquisition;

- (h) money market funds at least 95% of the assets of which consist of investments of the type described in clauses (a) through (g) above;
- (i) corporate obligations that at the time of acquisition thereof have a local market credit rating of at least “BBB” (or the then equivalent grade) by S&P and the equivalent rating by Moody’s; and
- (j) substantially similar investments, of comparable credit quality, denominated in the currency of any jurisdiction in which Edenor or its Subsidiaries conducts business.

**Central Bank** means the *Banco Central de la República Argentina* (the Argentine Central Bank).

**Change of Control** means the occurrence of an event which causes any “person” or “group” (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act), other than Electricidad Argentina S.A. (EASA), to become a direct holder or owner of (x) more than fifty percent (50%) of the ordinary shares of Edenor or (y) a number of ordinary shares of Edenor that affords such person or group the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the members of the Board of Directors; *provided, however,* that, notwithstanding the above, should the Argentine Government acquire more than 50% of the outstanding shares of Edenor (directly or indirectly), such acquisition shall constitute a Change of Control.

**CNV** means *Comisión Nacional de Valores* (the Argentine National Securities Commission).

**Commodity Agreement** means any commodity futures contract, commodity option or other similar agreement or arrangement designed to protect against fluctuations in the price of commodities or raw materials used by the Company (other than energy).

**Concession Agreement** means the concession agreement dated August 5, 1992 between the Republic of Argentina, represented by the Argentine Secretary of Energy (*Secretaría de Energía*) and Edenor, which grants Edenor the exclusive right to distribute electricity to all users within Edenor’s designated service area for a period of 95 years.

**Consolidated Total Indebtedness** means, at any date, the *sum* of (i) the aggregate principal amount outstanding of Edenor and its Restricted Subsidiaries’ Peso-denominated Indebtedness on a consolidated basis, as of the most recent fiscal quarter for which financial statements are available, *plus* (ii) the Peso Average of the aggregate principal amount outstanding of Edenor and its Restricted Subsidiaries’ non Peso-denominated Indebtedness, on a consolidated basis, as of the most recent fiscal quarter for which financial statements are available, *plus*, if applicable, (iii) the amount of any Peso-denominated Indebtedness and the Peso equivalent (at the Prevailing Exchange Rate as of the date of determination) of any outstanding non-Peso denominated Indebtedness that was Incurred after the date of the most recent fiscal quarter for which financial statements are available, *minus* (iv) the amount of any Peso-denominated Indebtedness and the Peso-equivalent (at the Prevailing Exchange Rate) of any non-Peso Indebtedness that was paid in full after the date of the most recent fiscal quarter for which financial statements are available.

**CSSF** means the *Commission de surveillance du secteur financier* of Luxembourg, as from time to time constituted.

**Default** means any event that, with giving of any notice, the passage of time, or both, would be an Event of Default.

**Disqualified Stock** means, with respect to any Person, any Capital Stock which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, carries the right to any mandatory dividend or distribution payment (other than a right that is expressly subject to compliance by Edenor with its obligations under the Indenture), matures or is mandatorily redeemable, in whole or in part, pursuant to a sinking fund obligation or otherwise, is exchangeable for Indebtedness, or is redeemable at the option of the holder thereof, in whole or in part, on or prior to the maturity date of the relevant note.

**Dollars** and the signs \$ or U.S. \$ mean the lawful currency of the United States.

**EBITDA** means, for any period, the consolidated operating income (loss) for Edenor and its Restricted Subsidiaries for such period plus, without duplication and to the extent deducted in determining such consolidated operating

income (loss), the sum of (a) consolidated amortization of intangible assets for such period, (b) consolidated depreciation of fixed assets for such period, (c) consolidated amortization of other non-current assets for such period and (d) any other non-cash charges that were deducted in computing consolidated operating income (loss) (excluding any non-cash charge which requires an accrual or reserve for cash charges for any future period). EBITDA is calculated based on the consolidated financial statements of Edenor and its Restricted Subsidiaries as of the end of such period, prepared in accordance with Argentine GAAP.

**ENRE** means the *Ente Nacional Regulador de la Electricidad* (the Argentine Electricity Regulator).

**Equity Interests** means all Capital Stock and all warrants or options with respect to, or other rights to purchase, Capital Stock, but excluding Indebtedness convertible into equity.

**Euro, euro** and the sign € mean the single lawful currency of member states of the European Union as constituted by the treaty establishing the European Community, being the Treaty of Rome, as amended from time to time.

**Exchange Act** means the U.S. Securities Exchange Act of 1934, as amended.

**Guarantee** means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other financial obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep well, to purchase assets, goods, securities or services, to take or pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof, in whole or in part; *provided* that the term “Guarantee” does not include endorsements for collection or deposit in the ordinary course of business or guarantees of performance that do not include any contingent payment obligation. The term “Guarantee” used as a verb has a corresponding meaning.

**Hedging Contract** means (i) any interest rate swap agreement, interest rate cap agreement or other agreement designed to protect against fluctuations in interest rates or (ii) any foreign exchange forward contract, currency swap agreement or other agreement designed to protect against fluctuations in foreign exchange rates, in each case entered into in the ordinary course of business and not for speculative purposes.

**Incur** means, with respect to any Indebtedness or other obligation of any Person, to create, issue, incur (by conversion, exchange or otherwise) assume, guarantee or otherwise become liable in respect of such Indebtedness or other obligation or the recording, as required pursuant to Argentine GAAP or the regulations of the CNV, of any such Indebtedness or other obligation on the balance sheet of such Person (and “Incurrence” and “Incurred” shall have meanings correlative to the foregoing); *provided, however*, that (i) a change in Argentine GAAP or in the regulations of the CNV that results in an obligation of such Person that exists at such time being reclassified as Indebtedness shall not be deemed an Incurrence of such Indebtedness, (ii) with respect to Peso-denominated Indebtedness, an increase, whether periodically or otherwise, in the nominal principal amount of such Indebtedness as a result of and in proportion to the devaluation of the Peso against the U.S. Dollar or the rate of inflation in Argentina shall not be deemed an Incurrence of such Indebtedness and (iii) with respect to Indebtedness previously Incurred, a change in the U.S. Dollar equivalent of such Indebtedness shall not be deemed an Incurrence of such Indebtedness.

**Indebtedness** means, with respect to any Person, without duplication,

- (a) all obligations of such Person for borrowed money;
- (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (c) all obligations of such Person for the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business;

- (d) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments, excluding obligations in respect of trade letters of credit or bankers' acceptances issued in respect of trade payables;
- (e) all obligations of such Person under Hedging Contracts;
- (f) Disqualified Stock of such Person;
- (g) all Indebtedness of others secured by any Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person;
- (h) all obligations of such Person under any receivables financing, including any Permitted Receivables Financing; and
- (i) all Indebtedness of other Persons Guaranteed by such Person to the extent so Guaranteed.

The amount of Indebtedness of any Person will be deemed to be:

- (a) with respect to Indebtedness secured by a Lien on an asset of such Person but that is not otherwise the obligation, contingent or otherwise, of such Person, the lesser of (x) the fair market value of such asset on the date the Lien attached or (y) the amount of such Indebtedness;
- (b) with respect to any Indebtedness issued with original issue discount, the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness;
- (c) with respect to any Hedging Contract, the net amount payable if such Hedging Contract terminated at that time due to default by such Person;
- (d) with respect to any sale of Receivables and Related Assets, the amount of the unrecovered capital or principal investment of the purchase excluding amounts representative of yield or interest earned on such investment; and
- (e) otherwise, the outstanding principal amount thereof.

The outstanding principal amount of any particular Indebtedness shall be counted only once and any obligations arising under any Guarantee, Lien, letter of credit or similar instrument supporting such Indebtedness shall not be double counted.

**Insolvency Law** means any law (together with the rules and regulations made pursuant thereto) of any jurisdiction (including any political subdivision thereof) relating to bankruptcy, insolvency, winding up, liquidation, reorganization, or any other similar procedure relating to the relief of debtors.

**Interest Expense** means, for any period, the aggregate amount of (i) the consolidated cash interest expense to be paid or non-cash interest expense to be accrued of Edenor and its Restricted Subsidiaries during such period in respect of Indebtedness, (x) including, without limitation, (a) amortization of original issue discount on any Indebtedness, (b) the interest portion of any deferred payment obligation, (c) all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing and (d) the net costs associated with obligations set out in Hedging Contracts, including the amortization of capitalized hedged costs, all net of interest income, and (y) excluding (a) any interest expense in respect of debt securities that have been repurchased by us and (b) any adjustments to regulatory fines and penalties that are recorded as interest expense, (ii) all but the principal component of rent under Sale and Leaseback Transactions paid, accrued or scheduled to be paid or to be accrued by Edenor or any Restricted Subsidiary during such period, and (iii) cash and non-cash dividends paid, declared, accrued or accumulated on any Disqualified Stock of Edenor or a Restricted Subsidiary, except for dividends payable in Qualified Equity Interests of Edenor or paid to Edenor or to a Wholly-Owned Restricted Subsidiary.

**Interest Expense Coverage Ratio** means, as of any date of determination, for Edenor and its Restricted Subsidiaries on a consolidated basis based on financial statements issued in accordance with Argentine GAAP, the ratio of (x) the aggregate amount of EBITDA for the four fiscal quarters immediately prior to such date of determination for which internal financial statements are available (the “reference period”) to (y) the aggregate Interest Expense during such reference period.

In making the foregoing calculation,

- (1) *pro forma* effect will be given to any Indebtedness Incurred during or after the reference period to the extent the Indebtedness is outstanding or is to be Incurred on such date of determination as if the Indebtedness had been Incurred on the first day of the reference period;
- (2) *pro forma* calculations of interest on Indebtedness bearing a floating interest rate will be made as if the rate in effect on such date of determination (taking into account any Hedging Contract applicable to the Indebtedness if the Hedging Contract has a remaining term of at least 12 months) had been the applicable rate for the entire reference period;
- (3) Interest Expense related to any Indebtedness no longer outstanding or to be repaid or redeemed on such date of determination, except for Interest Expense accrued during the reference period under a revolving credit to the extent of the commitment thereunder (or under any successor revolving credit) in effect on the transaction date, will be excluded;
- (4) *pro forma* effect will be given to
  - (A) the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries,
  - (B) the acquisition or disposition of companies, divisions or lines of businesses by Edenor and its Restricted Subsidiaries, including any acquisition or disposition of a company, division or line of business since the beginning of the reference period by a Person that became a Restricted Subsidiary after the beginning of the reference period, and
  - (C) the discontinuation of any discontinued operations but, in the case of Interest Expense, only to the extent that the obligations giving rise to Interest Expense will not be obligations of Edenor or any Restricted Subsidiary following the transaction date that have occurred since the beginning of the reference period as if such events had occurred, and, in the case of any disposition, the proceeds thereof applied, on the first day of the reference period. To the extent that pro forma effect is to be given to an acquisition or disposition of a company, division or line of business, the pro forma calculation will be based upon the most recent four full fiscal quarters for which the relevant financial information is available.

**Interest Payment Date** means April 25 and October 25, of each year, commencing on April 25, 2011; *provided* that if any Interest Payment Date would fall on a day other than a Business Day, such Interest Payment Date shall be the next succeeding Business Day with the same force and effect as if made on such April 25 or October 25, as applicable, with no accrual of interest for the period between such date and such immediately succeeding Business Day.

**Interest Period** means (a) initially, the period commencing on the Issuance Date and ending on the first Interest Payment Date and (b) thereafter, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the next Interest Payment Date.

**Investment** means,

- (a) any direct or indirect advance, loan or other extension of credit to another Person,

- (b) any capital contribution to another Person, by means of any transfer of cash or other property or in any other form,
- (c) any purchase or acquisition of Equity Interests or Indebtedness of another Person or other instruments or securities issued by another Person, including the receipt of any of the above as consideration for the disposition of assets or rendering of services, or
- (d) any Guarantee of any obligation of another Person, but only when payment has been made thereunder or such arrangement would be classified and accounted for as a liability on the balance sheet of the guarantor.

If Edenor or any Restricted Subsidiary sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary so that, after giving effect to that sale or disposition, such Person is no longer a Subsidiary of Edenor, or designates any Restricted Subsidiary as an Unrestricted Subsidiary in accordance with the provisions of the Indenture, all remaining Investments of Edenor and its Restricted Subsidiaries in such Person shall be deemed to have been made at that time.

**Investment Grade** means a rating of BBB-/Baa3 or higher or such similar equivalent or higher rating by an internationally recognized statistical rating organization, including a statistical rating organization recognized by the SEC as a “nationally recognized statistical rating organization.”

**Issuance Date** means the date on which the notes offered hereby are first issued.

**Leverage Ratio** means, as of any date of determination, for Edenor and its Restricted Subsidiaries on a consolidated basis based on financial statements issued in accordance with Argentine GAAP, the ratio of (i) Consolidated Total Indebtedness (excluding any Indebtedness Incurred in connection with bonds or other collateral posted pursuant to paragraph (g) of “Events of Default”) on such date (calculated without giving effect to the discount to net present value applied to restructured debt under Argentine GAAP) to (ii) EBITDA for the most recently completed period of four consecutive fiscal quarters.

**Lien** means, with respect to any asset, any mortgage, assignment, security interest, pledge, lien, encumbrance, trust, or any preferential arrangement having the practical effect of constituting a security interest with respect to such asset (other than the ownership interest of the lessor in any Sale and Leaseback Transaction).

**Luxembourg** means the Grand Duchy of Luxembourg.

**Mandatory Investment** means any Investment that Edenor or any Restricted Subsidiary is required to make as a result of any officially published law, regulation, rule, decree, directive or resolution first promulgated, proposed or issued after the date of this offering memorandum of any governmental body or any body responsible for the regulation of the electricity market in Argentina, including, but not limited to the Argentine Secretary of Energy, ENRE and/or CAMMESA.

**Moody’s** means Moody’s Latin America Calificadora de Riesgo S.A. and its successors and assigns.

**Negotiable Obligations Law** means Argentine Law No. 23,576, as amended by Argentine Law No. 23,962, and as further amended.

**Net Cash Proceeds** means, with respect to any Asset Sale, the proceeds of such Asset Sale in the form of Cash and Cash Equivalents including (i) payments in respect of deferred payment obligations to the extent corresponding to principal, but not interest, when received in the form of Cash and Cash Equivalents and (ii) proceeds from the conversion of other consideration received when converted to Cash and Cash Equivalents), net of, without duplication,

- (a) brokerage commissions and other fees and expenses related to such Asset Sale, including, without limitation, reasonable fees and expenses of counsel, accountants, currency exchange agents and investment bankers;

- (b) any required payment to the Republic of Argentina pursuant to the Concession Agreement or any provisions for taxes and all other governmental charges and claims of any nature whatsoever, payable as a result of such Asset Sale;
- (c) payments required to be made as a result of such Asset Sale or to repay Indebtedness at the time of such Asset Sale that is secured by a Lien on the property or assets sold or is required to be repaid out of the proceeds of such Asset Sale; and
- (d) appropriate amounts to be provided as a reserve against liabilities associated with such Asset Sale, including pension and other post employment benefit liabilities, liabilities related to environmental, tax or regulatory matters and indemnification obligations associated with such Asset Sale, with any subsequent reduction of the reserve other than by payments made and charged against the reserved amount to be deemed a receipt of Cash and Cash Equivalent.

**Note or note** means any of the 9.75% Senior Notes due 2022.

**Officer** means, when used with respect to Edenor, the president, general manager, chief financial officer, general accountant, treasurer, any member of the Board of Directors, or any of their respective attorneys in fact designated by Edenor.

**Officers' Certificate** means a certificate signed by any two Officers of Edenor.

**Opinion of Counsel** means an opinion in writing signed by legal counsel who may be an employee of or counsel to Edenor or other counsel, but in the case of U.S. federal law, will be reputable U.S. counsel knowledgeable in the relevant field.

**Optional Redemption** has the meaning set forth under subsection “—Redemption at Edenor’s Option.”

**Permitted Business** means any business permitted as of the date of this offering memorandum by Edenor’s bylaws or by its Restricted Subsidiaries’ bylaws, and any business providing electricity transmission and/or distribution services or other services provided through or using Edenor’s distribution system or network or any business reasonably related, incidental, complementary or ancillary thereto.

**Permitted Investments** means:

- (a) any Investment in Edenor or in a Restricted Subsidiary of Edenor that is engaged in a Permitted Business;
- (b) any Investment in Cash and Cash Equivalents;
- (c) any Investment by Edenor or any Subsidiary of Edenor in a Person, if as a result of such Investment,
  - (i) such Person becomes a Restricted Subsidiary of Edenor engaged in a Permitted Business, or
  - (ii) such Person is merged or consolidated with or into, or transfers or conveys substantially all its assets to, or is liquidated into, Edenor or one of its Restricted Subsidiaries engaged in a Permitted Business;
- (d) Investments received as non-cash consideration in an Asset Sale made pursuant to and in compliance with “Certain Covenants—Limitations on Asset Sales” or received as non cash consideration in a refinancing of an existing Investment;
- (e) any Mandatory Investment;



- (f) (i) receivables owing to Edenor or any of its Restricted Subsidiaries if created or acquired in the ordinary course of business, (ii) Hedging Contracts, Commodity Agreements and any Cash and Cash Equivalents or other cash management investments or liquid or portfolio securities pledged on collateral pursuant to Hedging Contracts or Commodity Agreements, (iii) endorsements for collection or deposit in the ordinary course of business, (iv) securities, instruments or other obligations (and related Hedging Contracts) received in compromise or settlement of debts created in the ordinary course of business, or by reason of a composition or readjustment of debts or reorganization of another Person, or in satisfaction of claims or judgments, and (v) securities, instruments or other obligations received in the ordinary course of business (and related Hedging Contracts) received in connection with mandatory or voluntary exchange offers set up by the federal, provincial or municipal government of Argentina;
- (g) payroll, travel and other loans or advances to, or Guarantees issued to support the obligations of, officers and employees, in each case in the ordinary course of business;
- (h) national, provincial or other Argentine Government Obligations (including those of the Central Bank), or quasi-currencies, bonds and other obligations issued, guaranteed or insured by any province or municipality of Argentina, or certificates representing an ownership interest in any of the foregoing;
- (i) Investments in securities of corporate issuers accounted for as marketable securities owned by the Company on the Issuance Date or purchased with the Net Cash Proceeds of any sale of such marketable securities or of any subsequent sales of marketable securities permitted to be purchased with the Net Cash Proceeds of marketable securities covered by this clause (i);
- (j) in addition to Investments listed above, Investments in an aggregate amount, taken together with all other Investments made in reliance on this clause (j), not to exceed U.S. \$10 million (or its equivalent in other currencies) (net of, with respect to the Investment in any particular Person made pursuant to this clause, the cash return thereon received after the Issuance Date as a result of any sale for cash, repayment, redemption, liquidating distribution or other cash realization not to exceed the amount of such Investments in such Person made after the Issuance Date in reliance on this clause);
- (k) Investments in a Receivables Entity that are necessary or desirable to effect any Permitted Receivables Financing; and
- (l) any notes repurchased pursuant to or in accordance with the terms of the Indenture.

**Permitted Receivables Financing** means any receivables financing facility, factoring program or arrangement, including such facility, program or arrangement entered into by a Receivables Entity, pursuant to which Receivables and Related Assets of Edenor or any of its Restricted Subsidiaries are sold to or are financed by third parties, *provided* that the aggregate consideration received in any such sale or financing is at least equal to the fair market value of the Receivables and Related Assets sold, less customary discounts, reserves or amounts reflecting the implicit interest rate.

**Permitted Refinancing Indebtedness** means an extension or renewal of, replacement of, or substitution for, or issue of Indebtedness in exchange for, or the net proceeds of which are used to repay, redeem, repurchase, refinance, extend or refund, including by way of defeasance (all of the above, for purposes of this clause, “refinance”) then outstanding Indebtedness of Edenor or any of its Restricted Subsidiaries incurred or existing under “Certain Covenants—Limitations on Indebtedness”; *provided* that (i)(A) Indebtedness so Incurred does not exceed the amount so refinanced, or (B) the Indebtedness so Incurred is used exclusively to refinance scheduled principal or interest payments up to the amount of the scheduled principal or interest payments being refinanced; (ii) such Indebtedness is Incurred by the same entity which Incurred the Indebtedness which is being refinanced, and no additional security, collateral guarantees or other support is provided; and (iii) such Indebtedness shall have a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being refinanced.

**Person** means any individual, corporation, partnership, joint venture, association, company, trust, unincorporated organization or government or any agency or political subdivision thereof.

**Peso, Pesos or Ps.** means the freely transferable lawful currency of Argentina.

**Peso Average** means, with respect to the amount of any non-Peso-denominated Indebtedness, the amount of Pesos obtained by converting the aggregate principal amount of any such non-Peso-denominated Indebtedness into Pesos at an average exchange rate determined by reference to the exchange rate for the buying of Pesos, as reported by *Banco de la Nación Argentina*, on each day for which rates are available during the period corresponding to the relevant period used to calculate EBITDA in connection with any calculation or determination of the Leverage Ratio.

**Prevailing Exchange Rate** means the exchange rate for converting Pesos into Dollars published as the selling rate (*tipo vendedor*) by *Banco de la Nación Argentina*, or, if such exchange rate is not published by *Banco de la Nación Argentina* or reflects a rate of exchange that differs from the average rates available in the free exchange market on such day by 10% or more, the average rates for such day.

**Property** means any asset, revenue or any other property, whether tangible or intangible, real or personal, including, without limitation, any right to receive income.

**Qualified Equity Interests** means all Capital Stock of a Person other than Disqualified Stock.

**Rating Agencies** means S&P and Moody's.

**Receivables and Related Assets** means any account receivable (whether now existing or arising thereafter) of Edenor or any Restricted Subsidiary, or any assets, related thereto, including all collateral securing such accounts receivable, all contracts and contract rights and all Guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interests are customarily granted in connection with asset securitization transactions involving accounts receivable.

**Receivables Entity** means an Unrestricted Subsidiary of Edenor

- (1) that is designated a Receivables Entity by the Board of Directors,
- (2) that does not engage in, and whose charter prohibits it from engaging in, any activities other than Permitted Receivables Financings and any activity necessary, incidental or related thereto,
- (3) no portion of the Indebtedness or any other obligation, contingent or otherwise, of which
  - (A) is guaranteed by Edenor or any Restricted Subsidiary,
  - (B) is recourse to or obligates Edenor or any Restricted Subsidiary in any way, or
  - (C) subjects any property or asset of Edenor or any Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, and
- (4) with respect to which neither Edenor nor any Restricted Subsidiary has any obligation to maintain or preserve its financial condition or cause it to achieve certain levels of operating results,

other than, in respect of clauses (3) and (4), pursuant to customary representations, warranties, covenants and indemnities entered into in connection with a Permitted Receivables Financing. For the avoidance of doubt, any sale or financing of Receivables and Related Assets by a Receivables Entity shall be subject to same restrictions set forth in the Indenture with respect to any such sale or financing made directly by Edenor or any of its Restricted Subsidiaries.

**Record Date** means the end of business on the fifteenth day preceding the applicable Interest Payment Date, whether or not such day is a Business Day; *provided* that in the event the first Interest Payment Date occurs less than fifteen days after the Issuance Date, the Record Date shall mean the date on or prior to the Issuance Date which shall be specified by Edenor.

**Regulatory Capital Expenditures** means any capital expenditures required to be made by Edenor or any of its Restricted Subsidiaries under any officially published law, regulation, rule, decree, directive or resolution first promulgated, proposed or issued after the date of this Offering Memorandum of any governmental body or any body responsible for the regulation of the electricity market in Argentina, including, but not limited to the Argentine Secretary of Energy, ENRE and/or CAMMESA.

**Restricted Subsidiary** means any direct or indirect Subsidiary of Edenor, other than an Unrestricted Subsidiary.

**Restructuring Indenture** means the indenture, dated as of April 24, 2006, among the Company and The Bank of New York, as Trustee, Co-Registrar and Paying Agent, and Banco Río de la Plata S.A. as Registrar, Transfer and Paying Agent in Argentina and Representative of the Trustee in Argentina.

**S&P** means Standard & Poor's International Ratings LLC.

**Sale and Leaseback Transaction** means, with respect to Edenor or any Restricted Subsidiary, any transaction or series of related transactions (excluding, however, any such transaction between Edenor and one or more Restricted Subsidiaries or between or among any two or more Restricted Subsidiaries) pursuant to which Edenor or any Restricted Subsidiary sells or transfers any property in connection with the leasing, or the resale against installment payments, or as part of an arrangement involving the leasing or resale against installment payments of such Property to the seller or transferor.

**SEC** means the United States Securities and Exchange Commission.

**Significant Subsidiary** means any Subsidiary that would be a "significant subsidiary" as defined in Rule 1-02(w) of Regulation S-X under the Securities Act, as such Regulation is in effect on the Issuance Date.

**Subordinated Indebtedness** means any Indebtedness of Edenor that is expressly subordinated in right of payment to the notes pursuant to a Subordination Agreement.

**Subordination Agreement** means any written agreement pursuant to which the Indebtedness being subordinated thereunder is made subordinated in right of payment and priority to the notes.

**Subsidiary** means:

- a corporation a majority of whose Capital Stock with voting power, under ordinary circumstances, to elect directors is at the time directly or indirectly owned by Edenor, or
- any other Person (other than a corporation) in which Edenor, directly or indirectly at the date of determination thereof, has at least a majority ownership interest.

**Taxes** means any present or future taxes, levies, imposts, duties, charges, assessments or fees of any nature that are imposed by any government or other taxing authority.

**Unrestricted Subsidiary** means any Subsidiary of Edenor that at the time of determination has been designated an Unrestricted Subsidiary and such designation has not been revoked in accordance with "Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries."

**U.S. Government Obligations** means obligations issued or directly and fully guaranteed or insured by the United States of America or by any agent or instrumentality thereof, *provided* that the full faith and credit of the United States of America is pledged in support thereof.

**Voting Stock** means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

**Weighted Average Life to Maturity** means, when applied to any Indebtedness at any date, the number of years (calculated to the nearest one-twelfth) obtained by dividing:

- (a) the then outstanding aggregate principal amount or liquidation preference, as the case may be, of such Indebtedness into
- (b) the sum of the products obtained by multiplying:
  - (i) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal or liquidation preference, as the case may be, including payment at final maturity, in respect thereof, by
  - (ii) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment.

**Wholly-Owned** means, with respect to any Subsidiary of any Person, such Subsidiary if all of the outstanding Capital Stock in such Subsidiary (other than any directors' qualifying shares or similar shares, ownership of which by a specified person is mandated by law) is owned by such Person or one or more Wholly-Owned Subsidiaries of such Person.

#### **Global Notes; Form, Exchange and Transfer; Book-Entry System**

The notes will be issued as Global Notes in fully registered form, without coupons, in each case, (i) outside the United States in reliance on Regulation S (collectively, the **Regulation S Global Notes**) and (ii) within the United States in reliance on Rule 144A under the Securities Act (collectively, the **Restricted Global Notes** and together with the Regulation S Global Notes, the **Global Notes**).

The Co-Registrar shall maintain the definitive record (the **Register**) in which shall be recorded the names and addresses of holders of any notes, the notes numbers and other details with respect to the issuance, transfer and exchange of the notes. We will give notice of any resignation, termination or appointment of the Trustee or any Paying Agent to the holders of the notes. Notices to the holders of the notes will be made pursuant to procedures referred to in "—Notices to Holders of Notes" above.

Subject to the next succeeding paragraph, the provisions of the Indenture and any applicable transfer restrictions, transfers of any Note may be made at the office of the Co-Registrar by delivery of such Note with the form of transfer thereon duly endorsed by, or accompanied by a written instrument of transfer duly executed by, the relevant holder. In exchange for any Note, properly presented for transfer, the Trustee shall promptly authenticate and deliver at the office of the Co-Registrar to the transferee a Note in the name of each transferee for the same aggregate principal amount as shall have been transferred. No service charge will be made for any registration of transfer or exchange of the notes, but the Trustee, Co-Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Each Global Note and the beneficial interests in each Global Note will be subject to restrictions on transfer as described under "Transfer Restrictions."

The Restricted Global Notes will be deposited with the Trustee, as custodian for, and registered in the name of a nominee of, DTC. The Regulation S Global Notes will be deposited with the Trustee, as custodian for, and registered in the name of a nominee of, DTC. DTC acts as depository for Euroclear and Clearstream, Luxembourg.

Ownership of beneficial interests in a Global Note is limited to persons who have accounts with DTC, or persons who hold interests through DTC participants. Ownership of beneficial interests in the Global Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC participants) and the records of DTC participants (with respect to interests

of persons other than DTC participants), which may include Euroclear and Clearstream, Luxembourg, as described below.

For as long as DTC, or its nominee, is the registered owner or holder of a Global Note, DTC or such nominee, as the case may be, will be considered the sole owner and holder of the notes represented by such Global Note for all purposes under the Indenture and notes; *provided, however*, that notwithstanding the foregoing, a beneficial owner of a Global Note will have the right (i) to obtain evidence of its beneficial ownership interest in a Global Note in accordance with the European Union's Transparency Decree, as amended, from any securities clearing service or collective deposit system, including DTC, Euroclear, Clearstream, Luxembourg and *Caja de Valores*) and (ii) with such evidence to pursue remedies against us and assert rights in a legal action brought in Argentina under Argentine law in respect of its beneficial ownership interest in such a Global Note (including the right to initiate summary proceedings (*acción ejecutiva*) in the manner provided by Article 29 of the Negotiable Obligations Law with respect thereto), and for such purposes such beneficial owner will be treated as the owner of that portion of the Global Note which represents its beneficial ownership interest therein. Owners of beneficial interests in such Global Notes will not be entitled to have any portions of such Global Note registered in their names, will not receive or be entitled to receive physical delivery of notes in certificated form and will not be considered the owners or holders of such Global Note (or any notes represented thereby) under the Indenture or the notes. If DTC is at any time unwilling or unable to continue as a depository for a Global Note, or ceases to be a "Clearing Agency" registered under the U.S. Securities Exchange Act of 1934, as amended, and a successor is not appointed by us within 90 days, we will issue certificated notes in exchange for the relevant Global Note (the **Certificated Notes**). In the case of Certificated Notes issued in exchange for Global Notes, such Certificated Notes will bear, and be subject to, the legend described in the Indenture. In addition, no beneficial owner of an interest in a Global Note will be able to transfer that interest except in accordance with DTC's applicable procedures (in addition to those under the Indenture and, if applicable, those of Euroclear and Clearstream, Luxembourg).

Investors may hold their interests in a Global Note directly through DTC, if they are DTC participants, or indirectly through organizations that are DTC participants.

Payments of the principal of and any premium, interest, additional interest, Additional Amounts and other amounts on any Global Note will be made to DTC or its nominee as the registered owner thereof. Neither we, the Trustee, the Co-Registrar nor any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

We expect that DTC or its nominee, upon receipt of any payment in respect of a Global Note held by it or its nominee, will immediately credit DTC participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Note as shown on the records of DTC or its nominee. We also expect that payments by DTC participants to owners of beneficial interests in a Global Note held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants.

Subject to the transfer restrictions set forth under "Transfer Restrictions," transfers between DTC participants will be effected in accordance with DTC's procedures and will be settled in same-day funds. The laws of some states of the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in a Global Note to such persons may be limited. Because DTC can only act on behalf of DTC participants, who in turn act on behalf of indirect participants and certain banks, the ability of a person having a beneficial interest in a Global Note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate of such interest. Transfers between participants in Euroclear and Clearstream, Luxembourg will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to certain transfer restrictions applicable to the notes, cross-market transfers between DTC participants, on the one hand, and directly or indirectly through Euroclear or Clearstream, Luxembourg participants, on the other, will be effected by DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, Luxembourg, as the case may be; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, Luxembourg, as the case may be, by the counterparty in such system in accordance with

its rules and procedures and within its established deadlines (Brussels time). Euroclear or Clearstream, Luxembourg, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in any Global Note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream, Luxembourg participants may not deliver instructions directly to the depositories for Euroclear or Clearstream, Luxembourg.

Because of time zone differences, the securities account of a Euroclear or Clearstream, Luxembourg participant purchasing an interest in a Global Note from a DTC participant will be credited during the securities settlement processing day (which must be a Business Day for Euroclear or Clearstream, Luxembourg, as the case may be) immediately following the DTC settlement date and such credit of any transactions in interests in a Global Note settled during such processing day will be reported to the relevant Euroclear or Clearstream, Luxembourg participant on such day. Cash received in Euroclear or Clearstream, Luxembourg as a result of sales of interests in a Global Note by or through a Euroclear or Clearstream, Luxembourg participant to a DTC participant will be received for value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream, Luxembourg cash account only as of the Business Day following settlement in DTC.

DTC has advised us that it will take any action permitted to be taken by a holder of a Global Note (including the presentation of notes for exchange as described below) only at the direction of one or more DTC participants to whose account with DTC interests in such Global Note are credited and only in respect of such portion of the aggregate principal amount of such Global Note as to which such DTC participant or participants has or have given such direction. However, if there is an Event of Default (as discussed below) under a Global Note, DTC will exchange such Global Note for Certificated Notes (which will, in the case of Global Notes, bear the legend applicable to transfers pursuant to Rule 144A), which it will distribute to its DTC participants.

### **The Clearing Systems**

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither we nor the Trustee will have any responsibility for the performance by DTC, Euroclear and Clearstream, Luxembourg or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

#### *Clearstream, Luxembourg*

Clearstream, Luxembourg (formerly Cedelbank) is incorporated under the laws of Luxembourg as a professional depository.

Clearstream, Luxembourg holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions between its participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Clearstream, Luxembourg provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing.

Clearstream, Luxembourg interfaces with domestic markets in several countries. As a professional depository, Clearstream, Luxembourg is subject to potential supervision by the CSSF. Clearstream, Luxembourg participants are financial institutions around the world, including the other securities brokers and dealers, banks, trust companies and clearing corporations and certain other organizations. Indirect access to Clearstream, Luxembourg is also available to others that clear through or maintain a custodial relationship with a Clearstream, Luxembourg participant either directly or indirectly.

#### *Euroclear*

Euroclear was created in 1968 to hold securities for its participants and to clear and settle transactions between its participants through simultaneous electronic book-entry delivery against payment, thereby eliminating

the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash.

Euroclear provides various other services, including securities lending and borrowing, and interfaces with domestic markets in several countries. Euroclear is operated by Euroclear Bank S.A./N.V. (which we refer to as the **Euroclear Operator**) under contract with Euro-Clear Clearance Systems, S.C., a Belgian cooperative corporation (which we refer to as the **Cooperative**). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for Euroclear on behalf of Euroclear participants. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries. Indirect access to Euroclear is also available to others that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

Because the Euroclear Operator is a Belgian banking corporation, Euroclear is regulated and examined by the Belgian Banking Commission.

#### *DTC*

DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of transactions between its participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. DTC participants include securities brokers and dealers, banks, trust companies and clearing corporations and may in the future include certain other organizations. Indirect access to the DTC system is also available to others that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly.

#### **Registration and Transfer of Notes**

Transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream, Luxembourg), which may change from time to time. Transfers of beneficial interests in the Global Notes that are cleared through Euroclear or Clearstream, Luxembourg will be subject to the applicable rules of Euroclear or Clearstream, Luxembourg, respectively.

All transfers of definitive notes and entries on the register will be made subject to the provisions in the Indenture relating to the notes. The regulations may be changed with the prior written approval of the Trustee. If definitive securities representing the notes are issued in the limited circumstances described above under “—Global Notes; Form, Exchange and Transfer; Book-Entry System,” those securities may be transferred in whole or in part in denominations of any whole number of securities. Definitive securities may be transferred upon surrender of the definitive securities together with the form of transfer endorsed on it, duly completed and executed at the specified office of a paying agent. The new certificate representing the securities that were transferred will be sent to the transferee within three Business Days after the paying agent receives the certificate transferred, by uninsured post at the risk of the holder entitled to the securities represented by the certificate, to the address specified in the form of transfer. If only part of a securities certificate is transferred, a new securities certificate representing the balance not transferred will be sent to the transferor by uninsured post at the risk of the transferor within three Business Days after the paying agent receives the certificate. The new certificate representing the balance will be delivered to the transferor by uninsured post at the risk of the transferor, to the address of the transferor appearing in the records of the paying agent. No holder of a definitive note may require the transfer of a note to be registered during the period of 15 days ending on the due date for any payment of the redemption price of the notes.

Registration of transfers of notes will be effected without charge by or on behalf of Edenor or the Registrar or Paying Agent, but upon payment (or the giving of such indemnity as the Registrar may require) in respect of any tax or other governmental charges that may be imposed in relation to it.

**Settlement**

Initial settlement for the Global Notes and settlement of any secondary market trades in the Global Notes will be made in same day funds. The Global Notes will settle in DTC's Same Day Funds Settlement System.



## **TRANSFER RESTRICTIONS; NOTICE TO INVESTORS**

*The following is a summary of certain important legal matters relating to your investment in the notes. This summary does not purport to be complete and may not contain all of the information that is important or relevant to you. You are advised to contact your own legal counsel prior to making any offer, sale, pledge or other transfer of the notes.*

### **U.S. Securities Laws Transfer Restrictions**

We have not and will not register the notes under the Securities Act. Accordingly, this offering is being made in reliance upon an exemption from the registration requirements under the Securities Act; no registration statement has been filed with the SEC. This offering is only being made to persons (i) in the United States that are QIBs or (ii) outside the United States that are persons other than “U.S. persons,” as that term is defined in Rule 902 of Regulation S under the Securities Act (Regulation S).

If you are unable to certify that you are either (a) a QIB or (b) not a “U.S. Person,” as that term is defined in Rule 902 of Regulation S, you may not participate in this offering.

The notes may not be offered or sold in the United States except pursuant to an effective registration statement under the Securities Act, in a transaction not subject to the registration requirements of the Securities Act or in accordance with an applicable exemption from the registration requirements of the Securities Act. We make no representation with respect to, and we assume no responsibility for, (i) the availability of an exemption from the registration requirements of the Securities Act with respect to offers and sales of the notes or (ii) the circumstances under which the notes may be lawfully offered or sold in the United States or to U.S. persons.

### *Representations; Restrictions on Resale*

Each purchaser of notes offered hereby will be deemed to have represented and agreed as follows:

- (1) Such purchaser: (A) is a QIB and is acquiring the notes for its own account or for the account of one or more QIBs or (B) is not a U.S. person as defined in Regulation S and is acquiring the notes in an offshore transaction in accordance with Regulation S;
- (2) Such purchaser understands, acknowledges and agrees that the notes have not been registered under the Securities Act and they may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities law, pursuant to an exemption therefrom, or in a transaction not subject thereto, and in each case in compliance with the conditions for transfer in this offering memorandum;
- (3) Such purchaser understands and agrees that the notes are being offered only in a transaction not involving any public offering within the meaning of the Securities Act, and that any future offer, resale, pledge or transfer of the notes may be made only: (i) to us, (ii) for so long as the notes are eligible for resale pursuant to Rule 144A, to a person who the seller reasonably believes is a QIB that is acquiring the notes for its own account or for the account of one or more QIBs in a transaction meeting the requirements of Rule 144A, (iii) in an offshore transaction meeting the requirements of Rule 903 or 904 (as applicable) of Regulation S, or (iv) pursuant to an exemption from registration under the Securities Act provided by Rule 144 under the Securities Act (if available), (v) pursuant to another available exemption from the registration requirements under the Securities Act provided that as a condition to the registration of transfer of any notes pursuant to this clause (v) such purchaser shall provide us and the relevant trustee with respect to the notes, a legal opinion, or such other evidence as the trustee or we may require, as to compliance with any such exemption, or (vi) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States and any other jurisdiction;

- (4) Such purchaser, and each subsequent purchaser, is required to notify any purchaser of notes from it of the transfer restrictions referred to herein, if then applicable;
- (5) The notes (other than those issued in reliance upon Regulation S) will bear a legend to the following effect, unless we determine otherwise in compliance with applicable law:

**THE NOTES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) (1) SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. EACH PURCHASER OF THIS NOTE OR ANY INTEREST HEREIN IS HEREBY NOTIFIED THAT THE TRANSFEROR OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.**

- (6) Notes sold in reliance on Regulation S will bear a legend to the following effect, unless we determine otherwise in compliance with applicable law:

**THE NOTES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE SECURITIES ACT) AND MAY NOT BE OFFERED, SOLD, OR DELIVERED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON, UNLESS SUCH NOTES ARE REGISTERED UNDER THE SECURITIES ACT OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS THEREOF IS AVAILABLE.**

Each acquirer of the notes not acquired in an offshore transaction pursuant to Regulation S acknowledges that (a) it has been afforded an opportunity to request from us and to review, and it has received, all additional information considered by it to be necessary to verify the accuracy of the information herein, and (b) it has not relied on the solicitation agent or any persons affiliated with it in connection with its investigation of the accuracy of the information contained in this offering memorandum or its investment decision.

WE AND THE INITIAL PURCHASERS WILL RELY UPON THE TRUTH AND ACCURACY OF THE FOREGOING ACKNOWLEDGEMENTS, REPRESENTATIONS AND AGREEMENTS.

#### **Other Jurisdictions**

The distribution of this offering memorandum and the offer and sale or resale of the notes may be restricted by law in certain jurisdictions. Persons into whose possession this offering memorandum comes are required by us to inform themselves about and to observe any such restrictions.

## TAXATION

### United States Federal Income Taxation

PURSUANT TO U.S. INTERNAL REVENUE SERVICE CIRCULAR 230, WE HEREBY INFORM YOU THAT THE DESCRIPTION SET FORTH HEREIN WITH RESPECT TO U.S. FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"). SUCH DESCRIPTION WAS WRITTEN TO SUPPORT THE PROMOTION AND MARKETING OF THE NOTES. TAXPAYERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following is a summary of certain U.S. federal income tax considerations that may be relevant to U.S. Holders (as defined below) that purchased the notes at their original issue and at their original offering price and that will hold the notes as capital assets. The following does not address the U.S. federal income tax consequences of the ownership of the notes to subsequent purchasers of the notes. This discussion is based on the Code, U.S. Treasury regulations, published administrative interpretations of the Internal Revenue Service ("IRS") and judicial decisions, all of which are subject to change, possibly with retroactive effect. We have not received, nor will we receive, any rulings from the IRS with respect to any of the matters summarized in this discussion. Therefore, there is no assurance that the IRS or a court would agree with the treatment of the notes described below. This discussion does not consider all aspects of U.S. federal income taxation that may be relevant to a particular U.S. Holder. Further, the tax treatment of a U.S. Holder may vary depending on that holder's particular situation. This discussion does not address the tax consequences that may be relevant to U.S. Holders subject to special tax rules, including insurance companies, tax-exempt organizations, employee stock ownership plans, financial institutions, brokers, dealers, partnerships and other pass-through entities, persons that will hold the notes as a position in a "straddle," or as part of a "synthetic security" or other integrated financial transaction, persons carrying out a trade or business in Argentina, or persons that have a "functional currency" other than the U.S. dollar.

For purposes of this discussion, "U.S. Holder" means a beneficial owner of notes who is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation (or other entity treated as a corporation) created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate subject to U.S. federal income taxation without regard to the source of its income, or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons (as defined in the Code) have authority to control all substantial decisions of the trust (or if a valid election to be treated as a U.S. person is in effect with respect to such trust). If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of notes, the treatment of a partner in the partnership will depend on the status of the partner and the activities of the partnership. Partners in such partnerships should consult their own tax advisors.

### Original Issue Discount

In general, subject to a de minimis exception, the notes will be treated as being issued with OID to the extent their "stated redemption price at maturity" exceeds their "issue price." The stated redemption price at maturity of a note is the aggregate of all payments due to its holder under such note at or prior to its maturity, other than interest payments that (among other requirements) are actually and unconditionally payable at least annually. Interest meeting these requirements is referred to as "qualified stated interest." The cash interest payable unconditionally twice annually at a fixed percentage of the principal amount of the notes will be "qualified stated interest." If a substantial amount of the notes is issued for cash in this offering, the issue price of the notes will be the first price at which a substantial amount of notes is issued for cash. It is expected that a substantial amount of the notes will be issued for cash in this offering. If a substantial amount of the notes is not issued for cash in this offering, the issue price of the notes will be determined under the rules applicable to debt instruments issued for property. In such case, the determination of the "issue price" of the notes would depend, in part, on whether the notes are "publicly traded," or traded on an "established market," at any time during the 60-day period ending 30 days after the date of the completion of this offering. In general, a debt instrument (or the property exchanged therefor) will be treated as traded on an established market if (a) it is listed on (i) the New York Stock Exchange

or certain other qualifying securities exchanges, (ii) certain qualifying interdealer quotation systems or (iii) certain qualifying foreign securities exchanges; (b) it appears on a system of general circulation that provides a reasonable basis to determine fair market value; (c) it is traded on a board of trade or an interbank market or (d) subject to certain limitations, price quotations are readily available from dealers, brokers or traders. If the notes are properly treated as publicly traded, the issue price of the notes for purposes of the OID provisions of the Code will be their fair market value at the time of issuance. Although not free from doubt, we expect that the notes should be treated as publicly traded.

A note will be considered to have de minimis OID if the difference between the note's stated redemption price at maturity and its issue price is less than 0.25 percent of the stated redemption price at maturity multiplied by the number of complete years to maturity.

If the amount of the OID on the notes equals or exceeds the de minimis amount, U.S. Holders will be required to include OID on the notes in income for U.S. Federal income tax purposes as it accrues on a constant yield to maturity basis, regardless of such holders' regular methods of accounting for U.S. federal income tax purposes. The amount of OID includible in income will be the sum of the "daily portions" of OID with respect to the notes for each day during the taxable year or portion of the taxable year in which a holder holds the notes ("accrued OID"). The daily portion is determined by allocating to each day in any accrual period a pro rata portion of the OID allocable to that accrual period. The amount of OID allocable to any accrual period is an amount equal to the excess, if any, of (i) the product of the note's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amount of any qualified stated interest allocable to the accrual period. OID allocable to a final accrual period is the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the adjusted issue price at the beginning of the final accrual period. Special rules apply for calculating OID for an initial short accrual period. The adjusted issue price of the notes at the beginning of any accrual period is equal to their issue price increased by the accrued OID for each prior accrual period previously includible in gross income and decreased by the amount of any payments previously made on the notes (other than qualified stated interest payments). Under these rules, a U.S. Holder must include in income increasingly greater amounts of OID in successive accrual periods.

A U.S. Holder may elect to treat all interest on the notes as OID and calculate the amount included in gross income under the constant yield method described above. For the purposes of this election, interest includes stated interest, OID, de minimis OID, and unstated interest. The election is to be made for the taxable year in which the notes are acquired and may not be revoked without the consent of the IRS. A U.S. Holder should consult with its own tax advisors if it is considering this election.

### **Stated Cash Interest on the Notes**

Stated interest on a note will be includible in gross income as ordinary interest income in accordance with a U.S. Holder's usual method of accounting for tax purposes. Thus, accrual-method U.S. Holders will report stated interest on the notes as it accrues, and cash-method U.S. Holders will report stated interest when it is received or unconditionally made available for receipt.

### **Sale, Exchange, Redemption or Other Disposition of the Notes**

Upon the disposition of a note by sale, exchange, redemption or otherwise, a U.S. Holder generally will recognize capital gain or loss equal to the difference between (i) the amount realized on the disposition (other than amounts attributable to accrued interest not previously recognized as income, including any additional amounts thereon, which will be treated as ordinary income) and (ii) the holder's adjusted tax basis in the note. A holder's adjusted tax basis in a note generally will be the holder's purchase price in the note, increased by any OID includible in income by the holder with respect to the notes, and reduced by the amount of any payments previously received by the holder (other than qualified stated interest). Any capital gain or loss will be long-term capital gain or loss if the holder held the note for more than one year at the time of the disposition. Certain non-corporate U.S. Holders (including individuals) are eligible for preferential rates of U.S. federal income taxation in respect of long-term capital gains. The ability of a U.S. Holder to deduct a capital loss is subject to limitations under the Code.

## **Backup Withholding and Information Reporting**

Payments on the notes, and proceeds of the sale, exchange or other taxable disposition of the notes, generally will be subject to the information reporting requirements unless the U.S. Holder is an exempt recipient, and to backup withholding (currently at a 28% rate) unless the U.S. Holder (i) is a corporation or other exempt recipient or (ii) provides an accurate taxpayer identification number ("TIN") and certifies that it is a U.S. person and that no loss of exemption from backup withholding has occurred.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against the U.S. Holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS.

## **European Union Directive on the Taxation of Savings Income**

Under European Council Directive 2003/48/EC on the taxation of savings income, each EU Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or secured by such a person for, an individual beneficial owner resident in, or certain limited types of entity established in, that other Member State. However, for a transitional period, Austria and Luxembourg will (unless during such period they elect otherwise) instead operate a withholding system in relation to such payments. Under such a withholding system, the recipient of the interest payment must be allowed to elect that certain provision of information procedures should be applied instead of withholding. The current rate of withholding is 20% and it will be increased to 35% with effect from 1 July 2011.

The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to exchange of information procedures relating to interest and other similar income.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted or agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within their respective jurisdictions to an individual beneficial owner resident in, or certain limited types of entity established in, a Member state. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those countries and dependent or associated territories in relation to payments made by a person in a Member State to an individual beneficial owner resident in, or certain limited types of entity established in, one of those countries or territories.

As indicated above under "additional amounts," no additional amounts will be payable with respect to a note where such withholding or deduction is imposed or levied on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November, 2000 on the taxation of savings income or to any law implementing or complying with, or introduced in order to conform to such Directive. Holders should consult their tax advisers regarding the implications of the Directive in their particular circumstances.

## **Argentine Tax Considerations**

The following summary is based upon tax laws of Argentina as in effect on the date of this offering memorandum and is subject to any change in Argentine law that may come into effect after such date. Prospective purchasers of the notes are advised to consult their own tax advisers as to the consequences under the tax laws of the country of which they are residents of an investment in the notes, including, without limitation, the receipt of interest and the sale, redemption or any disposition of the notes.

### **Income Tax**

#### *Interest*

Except as described below, interest payments on the notes will be exempt from Argentine income tax, provided that the notes are issued in accordance with the Negotiable Obligations Law, and qualify for tax exempt

treatment under Article 36 of such law. Under Article 36, interest on the notes shall be exempt if the following conditions (the “Article 36 Conditions”) are satisfied:

- the notes must be placed through a public offering authorized by the CNV in compliance with Argentine law;
- the proceeds of the issue of such notes must be, pursuant to corporate resolutions authorizing the offering, applied either to (A) investments in tangible assets located in Argentina, (B) funding working capital to be used in Argentina, (C) refinancing liabilities or (D) funding capital contributions in companies owned by or affiliated with the Issuer, provided such companies use the proceeds of such contributions for the purposes specified in (A), (B) or (C) of this paragraph (b); and
- the issuer must provide evidence to the CNV in the time and manner prescribed by regulations that the proceeds of the issue have been used for the purposes described in section (b).

We have undertaken that the notes will be issued in compliance with the Article 36 Conditions. The CNV has authorized the issuance of the notes. After the offering of the notes, we must file with the CNV the documents required by Resolutions 368/01 and 470/04 of the CNV, as amended. Upon approval by the CNV of such filing, the notes will qualify for the tax-exempt treatment set forth under Articles 36 and 36bis of the Negotiable Obligations Law, provided that the Article 36 Conditions are met. However, in accordance with Article 38 of the Negotiable Obligations Law, if we are subsequently found to have violated or not complied with the Article 36 Conditions, the responsibility for payment of such taxes from which the Holders of the notes would have been exempt otherwise will rest with us. Consequently, the specified exemptions will benefit the holders of the notes regardless of any subsequent violation or non-compliance by us, and holders of the notes will be entitled to receive the full amount due as if no withholding had been required. See also “Description of the Notes—Additional Amounts.”

The exemption from Argentine income tax to interest payments on the notes, as described above, will continue to be applicable in Argentina to revenues received by foreign beneficiaries abroad (i.e. individuals, undivided states or entities which are foreign fiscal residents that obtain income from an Argentine source) in spite of the fact that such revenues are taxable by a foreign tax authority.

Resolution 470/04 provides some interpretation of the term “public offering tax exemption” which, until such date, had not been clearly construed by the Argentine Tax Authority. Although the interpretation of the Resolution is not free from doubt given its recent issuance, it clarifies many matters concerning this concept.

The main points of Resolution 470/04 are as follows:

- Whether a securities offering is a “public offering placement” is to be construed exclusively under Argentine law (Section 16 of Law 17,811). Under Argentine law, notes offered to qualified institutional buyers under Rule 144A or offered pursuant to Regulation S are considered as placed by means of a public offering.
- Public offering efforts should be properly carried out and the issuer should keep documentation of such efforts. Notes will not be considered tax exempt merely by virtue of the authorization by the CNV of a public offering.
- Public offering efforts may be made not only in Argentina but also abroad.
- Offerings may be made to the “general public” or to a “specified group of investors” (such as qualified institutional buyers).
- The offering may be underwritten pursuant to an “underwriting agreement.” The notes placed pursuant to such agreement will be considered placed by means of a public offering to the extent that the underwriter effectively carries out public offering efforts in accordance with Argentine law.
- The refinancing of “bridge loans” is an accepted use of proceeds from the offering.

Presidential Decree No. 1,076 of July 13, 1992, as amended by Decree No. 1,157 of July 15, 1992, both of which were ratified by Law No. 24307 of December 30, 1993 (the Decree) eliminated the exemption from Argentine income tax described above with respect to those taxpayers subject to the tax adjustment for inflation rules pursuant to Title VI of the Argentine income tax law (in general entities organized or incorporated under Argentine law, local branches of foreign entities, sole proprietorships and individuals carrying on certain commercial activities in Argentina).

As a result of the Decree, interest paid to holders that are subject to the tax adjustment for inflation rules (and thus cannot avail themselves of the Article 36 exemption) is subject to the Argentine income tax as prescribed by Argentine tax regulations. Law No. 25063, effective as of December 31, 1998, sets forth that holders referred to in the previous paragraph will be subject to a withholding of 35% applicable to interest payments to be made under the notes, unless such holder is a local financial entity. This withholding will be considered as payment on account of the Argentine income tax to be paid by such holder.

### *Capital Gains*

If the Article 36 Conditions are fully complied with, resident and non-resident individuals and foreign entities without a permanent establishment in Argentina are not subject to taxation on capital gains derived from the sale or other disposition of the notes. As a result of the Decree, those taxpayers subject to the tax adjustment for inflation rules of the Argentine Income Tax Law are subject to taxes on capital gains on the sale or other disposition of the notes as prescribed by Argentine tax regulations.

The exemption on capital gains derived from the sale or other disposition of the notes, as described above, will continue to be applicable in Argentina to revenues received by foreign beneficiaries abroad (i.e. individuals, undivided states or entities which are foreign fiscal residents that obtain income from an Argentine source) in spite of the fact that such revenues are taxable by a foreign tax authority.

### **Personal Assets Tax**

Individuals domiciled and undivided estates located in Argentina or abroad must include assets such as securities, including the notes, in order to determine their tax liability for the Personal Assets Tax. This tax levies certain taxable assets held at December 31 of each year, at the rate of (i) 0.50% for those individuals domiciled and undivided estates located in Argentina whose assets subject to the tax exceed an aggregate amount of Ps. 305,000; (ii) 0.75% for those individuals domiciled and undivided estates located in Argentina whose assets subject to the tax exceed an aggregate amount of Ps. 750,000; (iii) 1% for those individuals domiciled and undivided estates located in Argentina whose assets subject to the tax exceed an aggregate amount of Ps. 2,000,000; and (iv) 1.25% for those individuals domiciled and undivided estates located in Argentina whose assets subject to the tax exceed an aggregate amount of Ps. 5,000,000 and those individuals domiciled and undivided estates located abroad. With respect to individuals domiciled or undivided estates located abroad, the Personal Assets Tax is only levied on assets located in Argentina, and is not required to be paid if the amount of such tax is equal to or less than Ps. 250.

The tax is applicable on the market value of the notes (or the acquisition costs plus accrued interest in the event the notes are no longer listed) on December 31 of each calendar year. Although securities, such as the notes, directly held by individuals domiciled or undivided estates located outside Argentina would technically be subject to the Personal Assets Tax, according to the provisions of Decree No. 127/96, as amended, a procedure for the collection of such tax has not been established with respect to such securities, except in case where the notes are jointly owned by Argentine residents or maintained in custody, held, deposited or administered thereby, in which case such Argentine residents must pay the applicable Personal Assets Tax.

Although the tax is levied only on those securities held by individuals domiciled or undivided estates located in Argentina or abroad, the Personal Assets Tax Law establishes an irrebuttable legal presumption that any securities issued by Argentine private issuers and which are directly owned (*titularidad directa*) by a foreign legal entity that (i) is domiciled in a jurisdiction which does not require shares or private securities to be held in registered form, and (ii) either (a) pursuant to its by-laws or the applicable regulatory regime of such foreign entity may only carry out investment activities outside the jurisdiction of its incorporation or (b) cannot carry out certain transactions authorized by its by-laws or the applicable regulatory regime in its jurisdiction of incorporation; are deemed to be

owned by individuals domiciled, or undivided estates located, in Argentina and, therefore, subject to the Personal Assets Tax.

In such cases, the law imposes the obligation to pay the Personal Assets Tax at an aggregate rate of 2.5% on the Issuer (the Substitute Obligor). The Personal Asset Tax Law also authorizes the Substitute Obligor to seek recovery of the amount so paid, without limitation, by way of withholding or by foreclosing on the assets that gave rise to such payment. In such a case, according to the terms and conditions of the notes, we waive any rights we may have under Argentine law to seek reimbursement from the direct owner of the notes of any such amounts we have paid (whether by deduction from payment of principal or interest on the notes or otherwise).

The above legal presumption shall not apply to the following foreign legal entities that directly own securities, such as the notes: (i) insurance companies, (ii) open-end investment funds, (iii) pension funds and (iv) banks or financial entities whose head office is incorporated in a country whose Central Bank or equivalent authority has adopted the international standards of banking supervision established by the Basel Committee.

Furthermore, Decree No. 812/96, dated July 24, 1996, establishes that the legal presumption discussed above shall not apply to shares and debt-related private securities, such as the notes, whose public offering has been authorized by the CNV and which are tradable on the stock exchanges located in Argentina or abroad. In order to ensure that this legal presumption will not apply and correspondingly, that we will not be liable as a Substitute Obligor with respect to the notes, we shall keep in our records a duly certified copy of the CNV resolution authorizing the public offering of the shares or debt-related private securities and evidence verifying that such certificate or authorization was effective as of December 31 of the year in which the tax liability occurred, as required by Resolution N° 4,203 of the *Dirección General Impositiva* dated July 30, 1996. In case the Argentine Tax Authority deems that sufficient documentation evidencing such CNV authorization and/or the authorization to trade notes on stock exchanges located in Argentina or abroad is not available, we will be responsible for paying the applicable Personal Assets Tax as Substitute Obligors.

### **Value Added Tax**

Interest payments made in respect of the notes will also be exempt from any value added tax to the extent the notes are issued pursuant to a public offering authorized by the CNV. Further, so long as the notes satisfy the Article 36 Conditions, any benefits relating to the offering, subscription, underwriting, amortization and cancellation will be exempt from any value added tax in Argentina.

Pursuant to the value added tax law, transfers of the notes are exempt from value added tax even when the Article 36 Conditions are not met.

### **Presumptive Minimum Income Tax**

The presumptive minimum income tax (the PMIT) is levied on the potential income from the ownership of certain income-generating assets. Corporations domiciled in Argentina, among others, are subject to the tax at the rate of 1.0% (0.20% in the case of local financial entities, leasing entities or insurance entities) applicable over the total value of assets, including the notes, above an aggregate amount of Ps. 200,000. This tax will only be owed if the income tax determined for any fiscal year does not equal or exceed the amount owed under the PMIT. In such case, only the difference between the PMIT determined for such fiscal year and the income tax determined for same fiscal year shall be paid. Any PMI paid will be applied as a credit toward income tax owed in the immediately following ten fiscal years.

### **Tax on Debits and Credits on Bank Accounts**

A tax is levied, with certain exceptions, on debits and credits on checking accounts maintained at financial institutions located in Argentina and on other transactions that are used as a substitute for the use of checking accounts. The general tax rate is 0.6% for each debit and credit (although in certain cases an increased rate of 1.2% and a reduced rate of 0.075% may apply).

Pursuant to Decree No. 534/04 (published on the Official Gazette on May 3, 2004), 34.0% of the tax paid on credits levied at the 0.6% tax rate and 17.0% of the tax paid on transactions levied at the 1.2% tax rate will be



considered (subject to periodical revision by the government) as a payment on account of income tax, PMIT and the Special Contribution over Cooperative Capital.

The rest may not be set off against other taxes or transferred in favor of third parties, but may be carried forward, to its exhaustion, to other fiscal periods of the above-mentioned taxes.

### **Turnover Tax**

Any investors regularly engaged in activities, or presumed to be engaged in activities, in any jurisdiction where they receive revenues from interest arising from holding notes, or from their sale or conveyance, could be subject to the turnover tax at rates that vary according to the specific laws of each Argentine province, unless an exemption applies.

Section 142, item (1) of the Tax Code of the City of Buenos Aires establishes that the income resulting from any transaction in respect of notes issued pursuant to the Negotiable Obligations Law (such as interest income and the purchase value in the event of conveyance) is exempted from the turnover tax to the extent the income tax exemption applies.

Section 180, item (c) of the Tax Code of the Province of Buenos Aires establishes that income resulting from any transaction on notes issued pursuant to the Negotiable Obligations Law and Law No. 23962, as amended (such as interest income and the purchase value in the event of conveyance) are exempted from the turnover tax to the extent the income tax exemption applies.

### **Stamp and Transfer Taxes**

The City of Buenos Aires levies a stamp tax on any written contracts executed or with effects in their jurisdictions. The concept of “effects” includes any obligations or activities arising from such agreements, which are fulfilled or performed in a jurisdiction other than that in which the agreements are executed. However, the Tax Code of the City of Buenos Aires exempts from stamp tax the acts, contracts and transactions, including the delivery and receipt of cash, relating to the issuance, subscription, placement and transfer of notes, issued pursuant to Law No. 23576, as amended by Law No. 23,962. Consequently, agreements documenting the Sale or the Exchange should not be subject to stamp tax.

At a provincial level, the Province of Buenos Aires (“Province of Bs. As.”) established a Free Transmission of Goods Tax (Law N° 14.044) (“FTGT”), as from January 1, 2010, which main characteristics are:

The FTGT comprehends enrichments from all free transmission of goods, including inheritance, legacies, donations, etc.

Individuals and legal entities are subject to the FTGT.

Taxpayers domiciled in the Province of Bs. As. are subject to the FTGT over goods located in and out of the Province of Bs. As., and tax payers domiciled in other jurisdictions other than the Province of Bs. As. are subject to the FTGT over the free enrichment of goods located in the Province of Bs. As.

Notes will be considered as located in the Province of Buenos Aires when the issuer of such notes is domiciled in the Province of Bs. As.

Transfers of goods are exempted from the FTGT when the total amount of goods transferred is equal or less than Ps.3.000.000 (excluding exemptions, deductions, etc).

The tax rates have been set between 5% to 10.5% according to the tax base and the degree of kinship involved.

Free transmissions of notes might be subject to the FTGT if they are involved in free transmissions of goods in excess of Ps. 3,000,000.

Regarding the existence of regimen ruling the free transmission of goods in other jurisdictions than the Province of Bs. As. the analysis should be performed considering each particular jurisdiction.

### **Court Tax**

In the event that it becomes necessary to institute enforcement proceedings in relation to the notes in Argentina, a court tax (currently at a rate of 3.0%) will be imposed on the amount of any claim brought before the Argentine courts sitting in the City of Buenos Aires.

### **Tax Treaties**

Argentina has entered into tax treaties with several countries. There is currently no tax treaty in force between Argentina and the United States.

### **Funds Sourced in Low or No Tax Countries**

Executive Branch Decree N° 1,344/98 as amended, provides that following countries, territories and regimes shall be deemed “low-or-no-tax-countries”: Anguila (non-autonomous territory of the UK); Antigua and Barbuda; the Netherlands Antilles; Aruba; Ascensión; Bahamas; Barbados; Belize; Bermudas (non-autonomous territory of the UK); Brunei Darussalam; Campione D’ Italia; Gibraltar; Commonwealth of Dominica (associated state); United Arab Emirates; Bahrain; Associated State of Granada (independent state); Puerto Rico; Kuwait; Qatar; Federation of San Cristóbal (Saint Kitts and Nevis Islands); Rules applicable to holding corporations in Luxembourg; Greenland; Guam ( non-autonomous territory of U.S.); Hong Kong (territory of China); Azores Islands; Channel Islands (Guernsey; Jersey; Alderney; Island of Great Sark; Herm; Little Sark; Brechou; Jethou Lihou); the Cayman Islands; Christmas Island; Coconut Island or Keeling; Cook Islands; Isle of Man (territory of the UK); Norfolk Island; Turks and Caicos (non-autonomous territory of UK); Pacific Islands; Salomon Islands; San Pedro and Miguelon Islands; Qeshm Islands; British Virgin Island; U.S. Virgin Islands; Kiribati; Labuan; Macao; Madeira (Portugal); Montserrat (non-autonomous territory of the UK); Níue; Patau; Pitcairn; French Polynesia; Andorra; Liechtenstein; Monaco; Rules applicable to financial corporations (governed by law N° 11,073 issued by Uruguay); Kingdom of Tonga; Jordania; Swaziland; Republic of Albany; Republic of Angola; Republic of Cabo Verde; Republic of Cyprus; Republic of Djibouti; Republic of Guyana; Republic of Panama; Republic of Trinidad & Tobago; Republic of Liberia; Republic of Seychelles; Republic of Mauricio; Tunisian Republic; Republic of Maldives; Republic of Marshall Islands; Republic of Nauru; Republic of Sri Lanka; Republic of Vanuatu; Republic of Yemen; Republic of Malta; Santa Elena; Santa Lucia; San Vicente and the Grenadines; American Samoa (non-autonomous territory of the U.S.); Western Samoa; Republic of San Marino; Oman; Archipelago of Svalbard; Tuvalu; Tristan da Cunha; Trieste (Italy); Tokelau; Ostrava (city of Czech Republic).

Pursuant to a legal presumption set forth in article 18.1 of Law N° 11,683, incoming funds from low-or-no-tax countries will be taxed as follows:

- (a) income tax at a 35% rate would be assessed upon us on 110% of the amount of the transfer.
- (b) value added tax at 21% rate also is assessed upon us on 110% of the amount of the transfer.

Although the extension of the concept “incoming funds” is not clear, it could be construed as any transfer of funds:

- (i) from an account in a low-or-no-tax country or from a bank account opened outside of a low-or-no-tax country but owned by an entity located in a low-or-no-tax country
- (ii) to a bank account located in Argentina or to a bank account opened outside of Argentina but owned by an Argentine tax resident.

The tax resident may rebut such legal presumption by duly evidencing before the Tax Agency that the funds arise from activities effectively performed by the Argentine taxpayer or a third party in such jurisdiction or that such funds were previously declared.

## PLAN OF DISTRIBUTION

We intend to offer the notes through the initial purchasers and the Argentine placement agents. Subject to the terms and conditions contained in a Purchase Agreement dated October 15, 2010, Deutsche Bank Securities Inc., J.P. Morgan Securities LLC and Standard Bank Plc, as initial purchasers, have severally agreed to purchase, and we have agreed to sell to them U.S. \$140,000,000 aggregate principal amount of the notes. Deutsche Bank S.A., JP Morgan Chase S.A., Sociedad de Bolsa, Standard Bank Argentina S.A. and Banco de Valores S.A. have agreed to act as placement agents in Argentina.

The initial purchasers have agreed to purchase all of the notes being sold pursuant to the Purchase Agreement if any of these notes are purchased, subject to the approval of legal matters by counsel and other conditions.

We have agreed to indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, and will contribute to payments the initial purchasers may be required to make in respect of those liabilities.

The initial purchasers are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes, and other conditions contained in the Purchase Agreement, such as the receipt by the initial purchasers of certain officers certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

### **New Issue of Notes**

The notes will be a new issuance of securities with no established trading market. The CNV has authorized the public offering of the notes in Argentina. We have applied to have all of the notes admitted to public offering in Argentina, and we will apply to have the notes listed on the Buenos Aires Stock Exchange and admitted to trading on the *Mercado Abierto Electrónico S.A.*, and listed on the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange. However, no assurance can be given that the listing applications will be approved. We have been advised by each of the initial purchasers that it intends to make a market in the notes, but neither initial purchaser is obligated to do so and each may discontinue any market-making activity at any time. In addition, any such market-making activity will be subject to the limits imposed by the Securities Act and the U.S. Securities Exchange Act of 1934, as amended (the **Exchange Act**). Moreover, the initial purchasers have informed us that none of them or their affiliates may undertake any market-making activity with respect to the notes until expiration of the confirmation period in Argentina. Accordingly, we cannot assure you as to the liquidity of, or the development or continuation of trading markets for, the notes.

We have agreed that we will not for a period of 30 days following the date of the Purchase Agreement, without the prior written consent of Deutsche Bank Securities Inc., J.P. Morgan Securities LLC and Standard Bank Plc, offer, sell, contract to sell, pledge, otherwise dispose of, or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by us or any of our affiliates or any person in privity with us or any of our affiliates, directly or indirectly, or announce the offering, of any debt securities issued or guaranteed by us (other than the notes).

### **Selling Restrictions**

The notes have not been registered under the Securities Act and may not be offered or sold in the United States or to U.S. persons unless they are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. See "Transfer Restrictions."

We have been advised by the initial purchasers that they propose to resell the notes initially to qualified institutional buyers (as defined in Rule 144A) in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and to non-U.S. persons in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S.

The initial purchasers have agreed that, except as permitted by the Purchase Agreement, they will not offer, sell or deliver the notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of this offering and the original issuance date of the notes, within the United States or to, or for the account or benefit of, U.S. persons, other than in accordance with Rule 144A, and they will send to each distributor, dealer or other person receiving a selling concession or similar fee to which they sell notes in reliance on Regulation S during such 40-day period, a confirmation or other notice detailing the restrictions on offers and sales of the notes within the United States or to, or for the account or benefit of, U.S. persons. In addition, until the expiration of the 40-day restricted period referred to above, an offer or sale of notes within the United States by a dealer (whether or not it is participating in this offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A or pursuant to another exemption from registration under the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S. The public offering in Argentina is regulated by CNV rules. Deutsche Bank S.A., JP Morgan Chase S.A., Sociedad de Bolsa, and Standard Bank Argentina S.A. will be acting as placement agents in Argentina.

### **Republic of Argentina**

The offering of the notes under our global note program has been authorized by the CNV pursuant to Certificate No. 130 dated November 5<sup>th</sup> 1996, Certificate No. 193 dated February 27<sup>th</sup> 1998, Certificate No. 286 dated September 2001, Resolution No. 15,359, dated March 23, 2006 and Resolution of the Board of Directors of the CNV dated November 28, 2007. The CNV authorization means only that the information contained in the Argentine prospectus complies with the requirements of the CNV. The CNV has not rendered and will not render any opinion with respect to the accuracy of the information contained in this offering memorandum or the Argentine prospectus.

The notes may be offered directly to the public in Argentina by us or through Deutsche Bank S.A., JP Morgan Chase S.A., Sociedad de Bolsa, Standard Bank Argentina S.A. and Banco de Valores S.A., which are authorized under the laws and regulations of Argentina to offer or sell the notes directly to the public in Argentina. The offering of the notes in Argentina will be made by a substantially similar offering memorandum and prospectus supplement in the Spanish language and in accordance with CNV regulations.

### **European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), the initial purchasers have represented and agreed that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**), they have not made and will not make an offer of the notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that they may, with effect from and including the Relevant Implementation Date, make an offer of the notes to the public in that Relevant Member State at any time:

- (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year, (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of Deutsche Bank Securities Inc., J.P. Morgan Securities LLC or Standard Bank Plc for any such offer; or
- (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer shall result in a requirement for the publication by Edenor or any initial purchaser of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of the notes to the public” in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient

information on the terms of the offer and the notes so as to enable an investor to decide to purchase or subscribe for the notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State; and the expression **Prospectus Directive** means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

The EEA selling restriction is in addition to any other selling restrictions set out below.

### **United Kingdom**

Each initial purchaser has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act of 2000 (**FSMA**)) received by it in connection with the issue or sale of such notes in circumstances in which Section 21(1) of the FSMA does not apply to Edenor; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any notes in, from or otherwise involving the United Kingdom.

### **Price Stabilization and Short Positions**

In connection with this offering, the initial purchasers or the Argentine placement agents may engage in transactions that stabilize, maintain or otherwise affect the price of the notes. Specifically, the initial purchasers or the Argentine placement agents may bid for and purchase notes in the open market for the purpose of pegging, fixing or maintaining the price of the notes. In addition, if the initial purchasers or the Argentine placement agents create a short position in the notes in connection with the offering by selling more notes than are listed on the cover page of this offering memorandum, then the initial purchasers or the Argentine placement agents may reduce that short position by purchasing notes in the open market. The initial purchasers or the Argentine placement agents may also impose penalty bids, which would permit the initial purchasers or the Argentine placement agents to reclaim a selling concession from a dealer if the notes originally sold by that dealer are purchased in a covering transaction to cover short positions. In general, purchases of a Note for the purpose of stabilizing or reducing a short position could cause the price of that Note to be higher than it might otherwise have been in the absence of those purchases.

Neither we nor the initial purchasers or the Argentine placement agents make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor the initial purchasers or the Argentine placement agents make any representation that anyone will engage in these transactions or that these transactions, if they are commenced, will not be discontinued without notice.

### **Other Relationships**

Deutsche Bank Securities Inc., J.P. Morgan Securities Inc. and Standard Bank Plc, are dealer managers for the Concurrent Invitation. In addition, the initial purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us. They have received and may in the future receive customary fees and commissions for these transactions.

To the extent that Standard Bank Plc intends to effect any sales of the notes in the United States, Standard Bank Plc will do so through Standard New York Securities Inc., its selling agent, or one or more U.S. registered broker-dealers or as otherwise permitted by applicable U.S. law.

### **Settlement**

Delivery of the notes is expected on or about October 25, 2010, which will be the 6<sup>th</sup> business day following the date of pricing of the notes. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes on the date of pricing or the next succeeding business days will be

required, by virtue of the fact that the notes initially will settle in T+6, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes on the pricing date or the next succeeding business day should consult their own advisors.

## LEGAL MATTERS

The validity of the notes will be passed upon for us by Cleary Gottlieb Steen & Hamilton LLP, New York, New York and for the initial purchasers by Davis Polk & Wardwell LLP, New York, New York. Certain matters of Argentine law will be passed upon for us by Errecondo, Salaverri, Dellatorre, González & Burgio and for the initial purchasers by Estudio Beccar Varela.

Javier Errecondo, Diego Salaverri and Santiago Dellatorre are partners of the law firm of Errecondo, Salaverri, Dellatorre, González & Burgio. Mr. Salaverri serves as a member of our Board of Directors. Mr. Errecondo serves as a member of our Supervisory Committee. Mr. Dellatorre serves as an alternate member of our Supervisory Committee.

## INDEPENDENT ACCOUNTANTS

The financial statements as of December 31, 2009 and 2008 and for the years then ended, included in the offering memorandum, have been audited by Price Waterhouse & Co. S.R.L., member firm of PricewaterhouseCoopers, independent accountants, as stated in their report appearing herein.

The financial statements as of December 31, 2007 and for the year then ended, included in the offering memorandum, have been audited by Deloitte & Co. S.R.L., member firm of Deloitte & Touche Tohmatsu, Independent Registered Public Accounting Firm, as stated in their report appearing herein.

With respect to the unaudited financial information of the Company as of June 30, 2010, and for the six-month periods ended June 30, 2010 and 2009, included in this offering memorandum, Price Waterhouse & Co. S.R.L. reported that they have applied limited procedures in accordance with Argentine professional standards for a review of such information. However, their separate report dated August 4, 2010, appearing herein, states that they did not audit and they do not express an opinion on that audited financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

## LISTING AND GENERAL INFORMATION

1. We will apply to have the notes listed on the Luxembourg Stock Exchange for trading on the Euro MTF market of the Luxembourg Stock Exchange. However, admission to listing may not be obtained, and, even if it is obtained, we will not be required to maintain this listing.

2. The notes have been accepted for clearance through DTC, Euroclear and Clearstream, Luxembourg.

The CUSIP and ISIN numbers for the U.S.\$230,251,000 aggregate principal amount of notes issued on the Early Settlement Date pursuant to the offer of U.S.\$140,000,000 aggregate principal amount of notes for cash and the Concurrent Exchange Offer (the **Early Settlement Notes**) are as follows:

	CUSIP Number	ISIN Number	Common Code
144A Restricted Global Notes.....	29244AAK8	US29244AAK88	055207321
Regulation S Global Notes .....	P3710FAJ3	USP3710FAJ32	055207518

In addition, U.S.\$50,000 aggregate principal amount of the notes issued on November 4, 2010 (the **Settlement Date**) pursuant to the Concurrent Exchange Offer in exchange for Existing Notes tendered after the Exchange Offer Early Participation Deadline, but on or before the Expiration Time (the **Settlement Notes**), have been assigned temporary CUSIP and ISIN numbers and Common Code and were not as of the Settlement Date fungible with the Early Settlement Notes. The Settlement Notes and the Early Settlement Notes have the same interest payment dates and are governed by the same terms; however, the 40-day restricted period described in the third paragraph under the “Plan of Distribution – Selling Restrictions” terminates on December 4, 2010, for the Early Settlement Notes and on December 14, 2010, for the Settlement Notes. As of December 14, 2010, the temporary CUSIP and ISIN numbers and Common Code on the Settlement Notes will be replaced with the CUSIP



and ISIN numbers and Common Code assigned to the Early Settlement Notes and the entire U.S.\$230,301,000 aggregate principal amount of notes will be fully fungible. The CUSIP and ISIN numbers and Common Code for the Settlement Notes are as follows:

	<u>CUSIP Number</u>	<u>ISIN Number</u>	<u>Common Code</u>
U.S.\$50,000 Regulation S Global Notes (until December 14, 2010) .....	P3710F AK0	USP3710FAK05	056021167
U.S.\$50,000 Regulation S Global Notes (after December 14, 2010) .....	P3710FAJ3	USP3710FAJ32	055207518

3. We have obtained all necessary consents, approvals and authorizations in connection with the issuance and performance of the notes. A resolution of our board of directors dated June 28, 2010, and a resolution of a director to whom the board delegated such authority, dated August 23, 2010, authorized the issuance of the notes.

4. Except as described in this offering memorandum, there are no pending actions, suits or proceeds against or affecting us or any of our properties, which, if determined adversely to us, would individually or in the aggregate have an adverse effect on our financial condition or would adversely affect our ability to perform our obligations under the notes or which are otherwise material in the context of the issue of the notes, and, to the best of our knowledge, no such actions, suits or proceedings are threatened.

5. Except as described in this offering memorandum, since June 30, 2010, there has been no change (or any development or event involving a prospective change of which we are or might reasonably be expected to be aware) that is materially adverse to our financial condition.

6. For so long as any notes are outstanding and listed on the Luxembourg Stock Exchange for trading on the Euro MTF market, copies of the following items in English will be available free of charge from The Bank of New York (Luxembourg) S.A., our listing agent, at its office at Aerogolf Center, 1A Hoehenhof, L-1736 Senningerberg, Luxembourg, Luxembourg:

- our audited financial statements as of December 31, 2009 and 2008 and for the years ended December 31, 2009, 2008 and 2007;
- our unaudited interim financial statements as of June 30, 2010 and for the six-month periods ended June 30, 2010 and 2009;
- our audited year-end financial statements and unaudited interim financial statements for subsequent periods; and
- any related notes to these items.

During the same period, the indenture and a copy of our articles of incorporation will be obtainable or available for inspection at the offices of The Bank of New York (Luxembourg) S.A. We will, for so long as any notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF market, maintain a paying agent in New York as well as in Luxembourg.

7. We confirm that, having taken all reasonable care to ensure that such is the case:

- the information contained in this offering memorandum is true, to the best of our knowledge, and correct in all material respects and is not misleading;
- to the best of our knowledge, we have not omitted other material facts, the omission of which would make this offering memorandum as a whole misleading; and
- we accept responsibility for the information we have provided in this offering memorandum.

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# **EDENOR S.A.**

**Balance Sheets as of June 30, 2010 and December 31, 2009**  
**Statements of Income for the six-month periods ended June 30, 2010 and 2009**  
**Statements of Changes in Shareholders' Equity for the six-month periods**  
**ended June 30, 2010 and 2009**  
**Statements of Cash Flows for the six-month periods ended June 30, 2010 and 2009**  
**Notes to the Financial Statements as of June 30, 2010 and 2009**

Shareholders and public in general who are interested in learning more about the report related to the Financial Statements as of June 30, 2010, to be published in the electronic database of the Securities and Exchange Commission (SEC), please visit Edenor website at Shareholders and public in general who are interested in learning more about the report related to the Financial Statements as of June 30, 2010, to be published in the electronic database of the Securities and Exchange Commission (SEC), please visit Edenor website at [www.edenor.com](http://www.edenor.com)

“Free translation from the original in Spanish for publication in Argentina”

### LIMITED REVIEW REPORT

To the Shareholders, President and Directors of  
Empresa Distribuidora y Comercializadora Norte  
Sociedad Anónima (Edenor S.A.)  
Legal Address: Azopardo 1025  
Autonomous City of Buenos Aires  
Tax Code No. 30-65511620-2

1. We have reviewed the balance sheet of Empresa Distribuidora y Comercializadora Norte Sociedad Anónima (Edenor S.A.) (hereinafter Edenor S.A.) as of June 30, 2010, and the related statements of income, of changes in shareholders' equity and of cash flows for the six-month period then ended with the complementary Notes 1 to 27 and Exhibits A, C, D, E, G and H. The preparation and issuance of these financial statements are the responsibility of the Company's management.
2. Our review was limited to the application of the procedures established by Technical Pronouncement No. 7 of the Argentine Federation of Professional Councils in Economic Sciences for limited reviews of financial statements for interim periods which consist mainly of the application of analytical procedures to the amounts disclosed in the financial statements and making inquiries of Company staff responsible for the preparation of the information included in the financial statements and its subsequent analysis. This review is substantially less in scope than an audit, the purpose of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such opinion.
3. The financial statements and the supplementary information detailed in point 1. are presented in comparative format with the information arising from: i) the financial statements and the supplementary information at December 31, 2009, on which we issued an unqualified audit report on February 25, 2010; and ii) the financial statements and the supplementary information at June 30, 2009 and for the six-month period then ended, on which we issued a limited review report without observations on August 6, 2009.
4. Based on our review and on the examination performed on the financial statements mentioned in point 3.i), we report that the financial statements of Edenor S.A. as of and for the six-month period ended on June 30, 2010, detailed in point 1., prepared in accordance with accounting standards in force in the Autonomous City of Buenos Aires, consider all significant facts and circumstances of which we are aware, and we have no observations to make on them.
5. According to current legal regulations we inform that:
  - a) The financial statements of Edenor S.A. are recorded in the “Inventory and Balance Sheet” book and comply, in matters within our field of competence, with the provisions of the Commercial Companies Law and the corresponding resolutions of the National Securities Commission;
  - b) The financial statements of Edenor S.A. arise from accounting records carried in all formal respects in conformity with legal requirements;
  - c) At June 30, 2010 the liabilities of Edenor S.A. accrued in favor of the Integrated Social Security System according to the accounting records amounted to \$ 9,736,205, which were not yet due at that date.

Autonomous City of Buenos Aires, August 4, 2010.

PRICE WATERHOUSE & CO. S.R.L.

/s/ Carlos Martín Barbafina (Partner)

C.P.C.E.C.A.B.A T°1 – F°17

Carlos Martín Barbafina

Public Accountant (UCA)

C.P.C.E. Autonomous City of Buenos Aires

T° 175 – F° 65

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDEN)**

**BALANCE SHEETS AS OF JUNE 30, 2010 AND DECEMBER 31, 2009**

(stated in thousands of pesos)

	<b>2010</b>	<b>2009</b>	
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>
Cash and banks	7,789	8,685	Trade accounts payable (Note 6)
Investments (Exhibit D)	290,064	219,687	Loans (Note 7)
Trade receivables (Note 4)	410,926	389,236	Salaries and social security taxes (Note 8)
Other receivables (Note 5)	34,603	61,098	Taxes (Note 9)
Supplies	17,393	14,854	Other liabilities (Note 10)
Total Current Assets	<u>760,775</u>	<u>693,560</u>	Accrued litigation (Exhibit E)
			Total Current Liabilities
<b>NON-CURRENT ASSETS</b>			<b>NON-CURRENT LIABILITIES</b>
Trade receivables (Note 4)	52,622	87,047	Trade accounts payable (Note 6)
Other receivables (Note 5)	98,895	88,756	Loans (Note 7)
Investments in other companies (Exhibit C)	403	408	Salaries and social security taxes (Note 8)
Supplies	19,267	18,584	Taxes (Note 9)
Property, plant and equipment (Exhibit A)	3,585,896	3,482,386	Other liabilities (Note 10)
Total Non-Current Assets	<u>3,757,083</u>	<u>3,677,181</u>	Accrued litigation (Exhibit E)
			Total Non-Current Liabilities
<b>Total Assets</b>	<b>4,517,858</b>	<b>4,370,741</b>	<b>Total Liabilities</b>
			<b>SHAREHOLDERS' EQUITY (as per relation)</b>
			<b>Total Liabilities and Shareholders' Equity</b>

The accompanying notes 1 through 27 and supplemental exhibits A, C, D, E, G and H are an integral part of these financial statements

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR S.A.)**

**STATEMENTS OF INCOME**

**FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2010 AND 2009**

(stated in thousands of pesos)

	2010	2009
Net sales (Note 11)	1,090,918	1,060,189
Electric power purchases	(526,230)	(519,262)
Gross margin	564,688	540,927
Transmission and distribution expenses (Exhibit H)	(301,267)	(264,660)
Selling expenses (Exhibit H)	(90,333)	(76,798)
Administrative expenses (Exhibit H)	(80,767)	(64,230)
Subtotal	92,321	135,239
Other (Expense) Income, net (Note 12)	(8,213)	34,449
Financial income (expense) and holding gains (losses)		
Generated by assets		
Exchange difference	5,868	9,856
Interest	12,593	6,870
Holding results (Notes 22 and 23)	(5,097)	40,208
Tax on financial transactions	(6,833)	(6,818)
Generated by liabilities		
Financial expenses	(7,929)	(6,186)
Exchange difference	(24,483)	(85,439)
Interest	(39,952)	(44,947)
Tax on financial transactions	(10,037)	(10,056)
Adjustment to present value of the retroactive tariff increase arising from the application of the new electricity rate schedule and other receivables (Note 13)	9,359	(10,655)
Adjustment to present value of notes (Note 3.j)	(1,518)	(4,789)
Gain from the purchase of notes	0	77,010
Income before taxes	16,079	134,742
Income tax (Note 3.m)	(17,403)	(57,785)
Net (loss) income for the period	(1,324)	76,957
(Losses) Earnings per common share	(0.001)	0.086

The accompanying notes 1 through 27 and supplemental exhibits A, C, D, E, G and H are an integral part of these financial statements

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR S.A.)**

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

**FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2010 AND 2009**

(stated in thousands of pesos)

	2010						R
	Shareholders' contributions						
	Nominal Value (Note 16.a)	Adjustment to Capital	Additional Paid-in Capital	Nominal Value Treasury Stock Note 1	Adjustment to Capital Treasury Stock Note 1	Total	
Balance at beginning of year	897,043	986,142	18,317	9,412	10,347	1,921,261	
Appropriation resolved by the General Annual Meeting held on April 7, 2010 (Note 16.d)	-	-	-	-	-	-	
Net (loss) income for the period	-	-	-	-	-	-	
Balance at end of period	897,043	986,142	18,317	9,412	10,347	1,921,261	

The accompanying notes 1 through 27 and supplemental exhibits A, C, D, E, G and H are an integral part of these financial statements

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR S.A.)**

**STATEMENTS OF CASH FLOWS  
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2010 AND 2009**

(stated in thousands of pesos)

	2010	2009
<b>Changes in cash and cash equivalents</b>		
Cash and cash equivalents at beginning of year (Note 18.a)	228,372	126,399
Cash and cash equivalents at end of period (Note 18.a)	297,853	232,551
Net increase in cash and cash equivalents	69,481	106,152
<b>Cash flows from operating activities</b>		
Net (loss) income for the period	(1,324)	76,957
<b>Adjustments to reconcile net income to net cash flows provided by operating activities</b>		
Depreciation of property, plant and equipment (Exhibit A)	88,999	87,241
Retirement of property, plant and equipment (Exhibit A)	604	209
Loss/Gain from investment in related company SACME S.A. (Exhibit C)	5	(65)
Gain from investments	(9,240)	(49,185)
Adjustment to present value of notes (Note 3.j)	1,518	4,789
Gain from the purchase of notes (Note 14)	0	(77,010)
Exchange difference and interest on loans	57,150	122,428
Recovery of the accrual for tax contingencies (Exhibit E)	0	(35,553)
Income tax (Note 3.m)	17,403	57,785
Allowance for doubtful accounts (Exhibit E)	7,753	10,706
Recovery of allowance for doubtful accounts (Exhibit E)	0	(26,956)
Allowance for other doubtful accounts (Exhibit E)	2,857	2,907
Adjustment to present value of the retroactive tariff increase arising from the application of the new electricity rate schedule and other receivables (Note 13)	(9,359)	10,655
<b>Changes in assets and liabilities:</b>		
Net decrease in trade receivables	12,096	14,803
Net decrease (increase) in other receivables	22,690	(25,723)
Increase in supplies	(3,222)	(1,455)
Increase in trade accounts payable	17,588	15,135
Decrease in salaries and social security taxes	(9,002)	(1,369)
Decrease in taxes	(37,181)	(941)
Increase in other liabilities	22,090	6,010
Increase for funds deriving from the Program for the rational use of electric power (PUREE)	135,746	101,814
Net (decrease) increase in accrued litigation	(2,597)	3,546
Financial interest paid (net of interest capitalized) (Notes 3.g and 18.b)	(30,977)	(35,891)
Financial and commercial interest collected (Note 18.b)	11,485	13,115
<b>Net cash flows provided by operating activities</b>	295,082	273,952
<b>Cash flows from investing activities</b>		
Additions of property, plant and equipment (1)	(193,113)	(186,434)
<b>Net cash flows (used in) investing activities</b>	(193,113)	(186,434)
<b>Cash flows from financing activities</b>		
Decrease in non-current investments	0	7,750
Net (decrease) increase in loans	(32,488)	10,884
<b>Net cash flows (used in) provided by financing activities</b>	(32,488)	18,634
<b>Net increase in cash and cash equivalents</b>	69,481	106,152

(1) Net of 1,746 Software lease agreement (Note 3.g) as of June 30, 2009

The accompanying notes 1 through 27 and supplemental exhibits A, C, D, E, G and H are an integral part of these financial statements



**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A.  
(EDENOR S.A.)**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS OF JUNE 30, 2010 AND DECEMBER 31, 2009**

(amounts stated in thousands of Argentine pesos)

**1. ORGANIZATION AND START UP OF THE COMPANY**

In compliance with Law No. 24,065 and in agreement with the reform process of the Argentine Federal Government and the privatization program of Argentine state-owned companies, the entire business of generation, transportation, distribution and sale of electric power carried out by Servicios Eléctricos del Gran Buenos Aires S.A. (SEGBA) was declared to be subject to privatization; the operation was divided into seven business units: three for the distribution and four for the generation of electric power.

On May 14, 1992, the Ministry of Economy and Public Works and Utilities, by Resolution No. 591/92, approved the Bidding Terms and Conditions (Bid Package) of the International Public Bidding for the sale of the Class "A" shares, representing 51% of the capital stock of Empresa Distribuidora Norte S.A. (hereinafter, "EDENOR" or "the Company") and Empresa Distribuidora Sur S.A. (EDESUR S.A.), two of the three electric power distribution companies into which SEGBA had been divided.

EDF International (EDF S.A.), Empresa Nacional Hidroeléctrica del Ribagorzana, S.A. (ENHER), Astra Compañía Argentina de Petróleo S.A. (ASTRA), Socièté D'Amenagement Urbain et Rural (SAUR), Empresa Nacional de Electricidad S.A. (ENDESA) and J.P. Morgan International Capital Corporation formed Electricidad Argentina S.A. (EASA) to bid for the Class "A" shares of EDENOR, a company organized on July 21, 1992 by Decree No. 714/92 of the Federal Government.

EASA was awarded the Class "A" shares of EDENOR based on a bid of US\$ 427,973,000 (equivalent to the same amount in Argentine pesos as of such date). The corresponding contract for the transfer of 51% of EDENOR's capital stock was executed on August 6, 1992. The award as well as the transfer contract were approved on August 24, 1992 by Decree No. 1,507/92 of the Federal Government. Finally, on September 1, 1992, EASA took over the operations of EDENOR.

In accordance with the provisions of Decree No. 282/93 of the Federal Government, dated February 22, 1993, the recorded values of assets, liabilities and net capital arising from the transfer of SEGBA, were determined on the basis of the price actually paid for 51% of EDENOR's capital stock (represented by the totality of Class "A" shares). This price was also used as the basis to determine the value of the remaining 49% of the capital stock. In order to determine the value of the assets transferred from SEGBA, the amount of liabilities assumed was added to the value of the total capital stock of 831,610, determined as indicated above. Management estimates that the amounts of the assets transferred from SEGBA represented their fair values as of the date of the privatization.

The corporate purpose of EDENOR is to engage in the distribution and sale of electricity within the concession area. Furthermore, 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 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.

On June 12, 1996, the Extraordinary Shareholders' Meeting approved the change of the Company's name to Empresa Distribuidora y Comercializadora Norte S.A. (EDENOR S.A.) so that the new name would

reflect the description of the Company's core business. The amendment to the Company's by-laws as a consequence of the change of name was approved by the National Regulatory Authority for the Distribution of Electricity (ENRE - Ente Nacional Regulador de la Electricidad), through Resolution No. 417/97 and registered with the Public Registry of Commerce on August 7, 1997.

On May 4 and June 29, 2001, EDF International S.A. (a wholly-owned subsidiary of EDF) acquired all the shares of EASA and EDENOR held by ENDESA Internacional, YPF S.A. (surviving company of ASTRA) and SAUR. Therefore, the direct and indirect interest of EDF International S.A. (EDFI) in EDENOR increased to 90%.

On June 29, 2005, the Board of Directors of EDF approved a draft agreement with Dolphin Energía S.A. (Dolphin) pursuant to which it would assign 65% of EDENOR's capital stock (held by EDFI) through the transfer of all Class "A" common shares held by EASA and 14% of the Class "B" common shares. In this manner, EDFI would retain a 25% interest in EDENOR. The remaining 10% would be kept by the employees according to the Employee Stock Ownership Program (ESOP). The closing of the agreement took place upon its approval by the corresponding French and Argentine governmental authorities.

On September 15, 2005, by virtue of the stock purchase-sale agreement entered into by EDFI and Dolphin and Dolphin's subsequent partial assignments of its interest in EASA and EDENOR to IEASA S.A. (IEASA) and New Equity Ventures LLC (NEV), the formal take over by Dolphin took place, together with the change in the Company's indirect control through the acquisition of 100% of the capital stock of EASA, which is the controlling company of EDENOR, by Dolphin (90%) and IEASA (10%). Furthermore, as a result of the aforementioned agreement, the ownership of the Company's Class "B" common shares (representing 39% of its capital stock) changed with 14% of the Company's capital stock now being held by NEV and the remaining 25% being kept by EDFI.

On April 28, 2006, the Company's Board of Directors decided to initiate the public offering of part of the Company's capital stock in local and international markets, including, but not limited to the trading of its shares in the Buenos Aires Stock Exchange (BCBA) and the New York Stock Exchange (NYSE), United States of America.

On June 7, 2006, the Ordinary and Extraordinary Shareholders' Meeting resolved to increase capital stock up to ten percent (10%), request authorization for the public offering from both the National Securities Commission (CNV) and the Securities and Exchange Commission (SEC) of the United States of America, as well as authorization to trade from both the Buenos Aires Stock Exchange and the New York Stock Exchange, entrusting the Board of Directors with the task of taking the necessary steps to implement such resolutions.

Additionally, it was decided that an American Depositary Receipts (ADRs) program, represented by American Depositary Shares (ADSs) would be created and that it would be the responsibility of the Board of Directors to determine the terms and conditions and the scope of the program.

On June 14, 2007, the Board of Directors approved the final report on Edenor's capital increase and public offering process. As a result of the above-mentioned process, the Company's Class B shares and American Depositary Shares ("ADSs"), representing Class B shares, are traded on the Buenos Aires Stock Exchange and the New York Stock Exchange, respectively. The final capital increase, as resolved by the above-mentioned Board of Directors, amounted to nine percent (9%) which is represented by 74,844,900 (seventy-four million eight hundred forty-four thousand nine hundred) new shares subscribed at the international primary offering, fully placed as 3,742,245 ADS. It was also reported that a secondary international offering was made on this date of 207,902,540 Class B shares.

The aforementioned issuance was carried out at a price of 2.62 per share. Taking into account that the nominal value of each share is 1.00, an additional paid-in capital, amounting to 121,249, was recorded.

The Class “B” shareholders NEV and EDFI informed the Company that at the secondary international offering they sold 49,401,480 and 179,049,520 Class “B” shares, respectively. Additionally, on May 1, 2007, the shareholders NEV and EDFI informed that they had sold 57,706,040 Class “B” shares at the secondary international offering when the international underwriters fully exercised the over-allotment option (green shoe) contemplated in the prospectus for the public offering and section 2 of the underwriting agreement.

With regard to the Company’s Class “C” shares held by the Employee Stock Ownership Program (ESOP), on April 29, 2007 the ESOP was partially cancelled in advance in conformity with a procedure set forth by the Federal Government, and on April 30, 2007, an amount of 81,208,416 shares, which had been converted into Class “B” shares on April 27, 2007, was sold at the domestic secondary offering. As of the date of issuance of these financial statements, an amount of 1,952,604 Class “C” shares, representing 0.22% of the Company’s capital stock, remains outstanding.

Furthermore, Dolphin and IEASA contributed 38,170,909 Class “B” shares of the Company that had been transferred to them by NEV to EASA, which is the controlling company. On April 27, 2007, the contributed shares were converted into Class “A” shares to ensure that EASA continues to hold 51% of all the Class “A” shares outstanding. On April 30, 2007, the Company requested that Caja de Valores S.A. register the new Class “A” shares and extend thereto the regulatory pledge in favor of the Argentine Government, in compliance with the Bidding Terms and Conditions of the International Public Bidding, the provisions of the Concession Agreement of Edenor S.A., and the terms of the related pledge agreements signed on August 31, 1992 and July 14, 1994 which, in accordance with their second clause, EASA was required to extend the first-priority preferred security interest to any Class “A” Shares of the Company that EASA would acquire on a date subsequent to those of said Agreements.

Moreover, section 19 of the Adjustment Agreement entered into by the Company and the Argentine Government, which was ratified by Decree No. 1957/2006, stipulates that the pledge on the Company’s shares in favor of the Argentine Government granted as security for the performance of the Concession Agreement will be extended to include the performance of the obligations assumed by the Company in this Adjustment Agreement.

The Company was notified that on June 22, 2007, the shareholders of Dolphin Energía S.A. and IEASA S.A. (that own 100% of the stock of Electricidad Argentina S.A., the controlling company of Edenor) and Pampa Energía S.A. entered into a memorandum of understanding whereby it was agreed that the totality of the capital stock of Dolphin Energía S.A. and IEASA S.A. would be exchanged for common shares of Pampa Energía S.A.

Furthermore, the Company received a notice from EASA whereby it was informed that the exchange for shares described in the preceding paragraph had formally been agreed upon on September 28, 2007 under a Stock Subscription Agreement entered into by Pampa Energía S.A., Marcos Marcelo Mindlin, Damián Miguel Mindlin, Gustavo Mariani, Latin American Energy LLC, New Equity Ventures LLC and Deutsche Bank AG, London Branch. Moreover, on such date, Pampa Energía S.A. acquired 100% of the capital stock of Dolphin Energía S.A. and IEASA S.A, which together own 100% of the capital stock of EASA.

On October 23, 2008, the Company’s Board of Directors decided to launch a public offering for the acquisition of the Company’s own shares pursuant to both the terms of Section 29, Chapter XXVII, Book 9 of the National Securities Commission’s regulations and the provisions of Section 68 of Law No. 17,811 (as amended by Decree No. 677/2001).

The shares acquired by virtue of the aforementioned provisions shall be sold by the Company within a maximum period of three years as from acquisition date, unless such period is extended by the Ordinary Shareholders’ Meeting.

On October 27, 2008, the Company requested authorization for the above-mentioned public offering from the National Securities Commission (CNV).

Furthermore, on October 29, 2008, the Company's Board of Directors modified the basic terms and conditions of the aforementioned offering.

On October 30, 2008, the National Securities Commission (CNV) approved the above-mentioned public offering for the acquisition of the Company's own shares. Furthermore, the Company's Board of Directors fixed the purchase price of the shares to be acquired within the framework of the offering in the amount of pesos 0.65.

The main terms and conditions for the acquisition of the Company's own shares in the framework of the offering have been the following:

- Maximum amount to invest: up to pesos 45,000,000
- Maximum number of shares included in the offering: up to 65,000,000 common, Class B and/or C shares, representing approximately 7.17% of the Company's capital stock, with a nominal value of 1 peso each and the right to one vote per share.
- Source of the funds: the acquisition of shares will be made with realized and liquid profits resulting from the financial statements for the six-month period ended June 30, 2008 and approved by the Company's Board of Directors on August 7, 2008. Additionally, it is stated that the Company is liquid and has the necessary economic resources to guarantee full satisfaction of the offering.
- Scope of the offering: it was exclusively carried out in Argentina.

On November 14, 2008, the Company's Board of Directors decided to continue with the acquisition process of the Company's own shares through market transactions in accordance with the terms of section 68 of Law No. 17,811 (as amended by Decree No. 677/2001) and the CNV's Regulations. This decision was taken firstly because the reasons that motivated the acquisition process through the public offering mechanism previously described continue to exist, and secondly because such mechanism would provide the Company with more flexibility to determine the purchase price of its own shares in a context of high volatility in the market value of shares in general.

Based on the foregoing, the Company's Board of Directors approved the following basic terms and conditions:

- Maximum amount to invest: up to pesos 45,000,000
- Maximum number of Class B shares to be acquired: the number of common Class B shares, with a nominal value of 1 peso each and the right to one vote per share, equivalent to the maximum amount to invest, which may not exceed at any time, the maximum limit of treasury stock which the Company may own, in accordance with applicable regulations.
- Daily limit for market transactions: up to 25% of the average daily transaction volume in the markets where the shares are listed, for the preceding 90-day period, in accordance with applicable regulations.
- Price to be paid for the shares: between a minimum of 0.50 and a maximum of 0.80 peso per share.
- Acquisition period: 120 calendar days to commence from the working day following the date of publication of the information in the *Daily Bulletin* of the Buenos Aires Stock Exchange, which took place on November 17, 2008. Such period may be reduced, renewed or extended. Investors will be informed of any such reduction, renewal or extension through the above-mentioned bulletin.
- Source of the funds: the acquisition of shares will be made with realized and liquid profits resulting from the financial statements for the nine-month period ended September 30, 2008 and approved by the Company's Board of Directors on November 5, 2008. Additionally, it is stated that the Company is liquid so as to make the aforementioned acquisitions without affecting its creditworthiness.

As of December 31, 2008 the Company acquired, through both acquisition processes, a total of 9,412,500 class B shares with a nominal value of 1 peso each at an acquisition cost of 6,130

On March 17, 2009, the 120-calendar-day period stipulated in the terms and conditions for the repurchase of treasury shares, that had commenced on November 18, 2008, came to an end.

As of June 30, 2010 and December 31, 2009, the Company's capital stock, represented by 906,455,100 shares is comprised of the following (Note 16.a):

Holder	2010	2009	Class	% held
	Number of shares			
EASA (1)	462,292,111	462,292,111	"A"	51.00
Market in general (2)	442,210,366	442,210,356	"B"	48.78
Banco Nación (3)	1,952,604	1,952,604	"C"	0.22
New Equity Ventures LLC	19	19	"B"	0
EDF Internacional S.A.	0	10	"B"	0

(1) The shares are pledged in favor of the Argentine Government as evidenced by the certificate issued by Caja de Valores.

(2) Includes 9,412,500 treasury shares as of June 30, 2010 and December 31, 2009.

(3) Trustee of the Employee Stock Ownership Program.

On July 19, 2006, EASA carried out a restructuring of the totality of its financial debt. If EASA did not comply with its payment obligations under the new debt, its creditors could obtain an attachment order against the Company's Class A shares held by them, and, consequently, the Argentine Government would be entitled, as stipulated in the concession agreement, to foreclose on the pledged shares, with an adverse effect on the results of its operations.

## **2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS**

### **Financial statements presentation**

These financial statements have been prepared in accordance with accounting principles generally accepted in the City of Buenos Aires, Argentina (hereinafter "Argentine GAAP") and the criteria established by the National Securities Commission (CNV), taking into account that which is mentioned in the following paragraphs.

The amounts of these financial statements are stated in thousands of Argentine pesos.

As from January 1, 2003 and as required by General Resolution No. 434/03 of the CNV, the Company reports the results of its operations, determines the values of its assets and liabilities and determines its profit and loss in conformity with the provisions of Technical Resolutions (TR) Nos. 8, 9 and 16 through 18 (amended text June 2003). As from January 1, 2004, the Company has applied the provisions of TR No. 21 of the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) as approved by the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires (CPCECABA), with specific few exceptions and clarifications introduced by General Resolution No. 459/04 of the CNV.

The CNV, through its General Resolutions Nos. 485/05 and 487/06, decided to implement certain changes in the Argentine GAAP effective for fiscal years or interim periods beginning as from January 1, 2006, by requiring the application of TR Nos. 6, 8, 9, 11, 14, 16, 17, 18, 21, 22 and 23 and Interpretations 1, 2, 3, and 4, of the FACPCE with the amendments introduced by such Federation through April 1, 2005 (Resolution No. 312/05) and adopted by the CPCECABA (Resolution CD No. 93/05) with certain amendments and clarifications.

Among the aforementioned changes the following can be noted: i) the comparison between the values of certain assets and their recoverable values, using discounted cash-flows; ii) the consideration of the difference between the accounting and tax values resulting from the adjustment for inflation included in non-monetary assets, as a temporary difference, allowing the Company to either recognize a deferred tax liability or to disclose the effect of such accounting change in a note to the financial statements and (iii) the capitalization of interest cost on certain assets (only those assets that require an extended period of time to be produced or acquired would qualify) during the term of their construction and until they are in condition to be used.

With regard to the impact of the application of the change mentioned in the preceding paragraph under (i) on the Company's property, plant and equipment, said change does not have a significant impact on the Company's financial position or the results of operations for the period ended June 30, 2010, given that the fair value (defined as the discounted value of net cash flows arising from both the use of the assets and their final disposal) exceeds their recorded value (Note 3.g).

With regard to item (ii), the Company has decided to disclose said effect in a note to the financial statements. Had the Company chosen to recognize the effect of the adjustment for inflation of its property, plant and equipment as a temporary difference, as of June 30, 2010 a deferred tax liability of approximately 370,652 and a credit to the results of operations for the period, under the income tax account, amounting to 12,589, would have been recorded (Note 3.m).

Additionally, had the Company elected to recognize a deferred tax liability, in subsequent years, the Company would have recorded an income tax expense that would have been lower than the income tax expense that will be recorded as a result of maintaining the criterion applied up to the moment, whose distribution in subsequent years has been estimated as follows:

Year	Effect on deferred tax result Nominal value
2010	12,505
2011	24,084
2012 – 2016	106,866
2017 – 2021	88,058
Remainder	<u>139,139</u>
<b>Total</b>	<u><b>370,652</b></u>

Furthermore, on March 20 and June 12, 2009, the FACPCE approved TR Nos. 26 and 27 "Adoption of the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB)" and "Changes to TR Nos. 6, 8, 9, 11, 14, 16, 17, 18, 21, 22, 23 and 24" respectively, which will be in effect for fiscal years beginning as from January 1, 2011. Additionally, the aforementioned TR have been approved by the Board of the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires through Resolution No. 52/2009.

Furthermore, on December 29, 2009, the CNV issued Resolution No. 562, according to which 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 regime would be required to comply with the provisions of TR No. 26. The application of such regulations will be mandatory for the Company as from the fiscal year beginning January 1, 2012.

On April 27, 2010, the Company's Board of Directors approved the specific implementation plan required by General Resolution No. 562 of the National Securities Commission. Such approval was informed as a relevant fact on April 28, 2010.

Additionally, on July 1, 2010, the CNV issued Resolution No. 576 which provides solutions to, corrections and further explanation of those aspects concerning Resolution No. 562 about which the issuers of financial statements had raised objections or asked for clarification.

The financial statements for the six-month periods ended June 30, 2010 and 2009 have not been audited. The Company's management estimates that they include all the necessary adjustments to present fairly the results of operations for each period. The (loss) income for the six-month periods ended June 30, 2010 and 2009 do not necessarily reflect a proportion of the Company's results for the complete fiscal years.

#### **Consideration of the effects of inflation**

The financial statements fully reflect the effects of the changes in the purchasing power of the currency through August 31, 1995. As from such date, and in accordance with Argentine GAAP and the requirements of control authorities, the restatement of the financial statements to reflect the effects of inflation was discontinued until December 31, 2001. As from January 1, 2002, and in accordance with Argentine GAAP, it was established that inflation adjustment be reinstated and that the accounting basis restated as a result of the change in the purchasing power of the currency through August 31, 1995, as

well as transactions with original date as from such date through December 31, 2001, be considered as restated as of the latter date. The financial statements have been restated to reflect the effects of inflation based on the variations of the Domestic Wholesale Price Index.

On March 25, 2003, the Federal Government issued Decree No. 664 establishing that financial statements for fiscal years ending as from such date had to be prepared in nominal currency. Consequently, and in accordance with Resolution No. 441 of the CNV, the Company discontinued the restatement of its financial statements as from March 1, 2003. This criterion does not agree with Argentine GAAP which establish that financial statements were to be restated through September 30, 2003. The Company has estimated that the effect of not having restated the financial statements through September 30, 2003 is not significant on the financial statements.

### **3. VALUATION CRITERIA**

The main valuation criteria used in the preparation of these financial statements are as follow:

**a) Cash and banks:**

- In local currency: at nominal value.
- In foreign currency: at the exchange rates in effect as of the end of the period/year. The corresponding detail is disclosed in Exhibit G.

**b) Current investments:**

- Time deposits, which include the portion of interest income accrued through the end of the period/year.
- Money market funds, which have been valued at the prevailing market price as of the end of the period/year.
- Corporate notes and Government Bonds, which have been valued at the prevailing market price as of the end of the period/year.

**c) Trade receivables:**

- Services rendered and billed but not collected, and services rendered but unbilled as of the end of the period/year, at nominal value, except for those indicated in the following paragraphs;
- Services rendered but unbilled as of the end of the period/year, arising from the retroactive increase deriving from the application of the electricity rate schedule resulting from the Temporary Tariff Regime (RTT) (Note 17.b) have been valued on the basis of the best estimate of the amount to be collected, discounted at a 10.5% annual nominal rate, which, in accordance with the Company's criterion, reasonably reflected market assessments of the time value of money and risks specific to the receivable at the time of their initial measurement.

The amounts thus determined:

1. are net of an allowance for doubtful accounts, as described in more detail in paragraph h) of this Note.
2. consider the effects of that which is stated in Note 13.

**d) Other receivables and liabilities (excluding loans):**

- In local currency: at nominal value.
- In foreign currency: at the exchange rates in effect as of the end of the period/year (Exhibit G).

Other receivables and liabilities have been valued as indicated above including, if any, interest income or expense accrued as of the end of the period/year. The values thus obtained do not differ significantly from those that would have been obtained if the current Argentine GAAP had been applied, inasmuch as they establish that other receivables and liabilities must be valued on the basis of the best estimate amount to be collected and paid, respectively, discounted at a rate that reflects

the time value of money and the risks specific to the transaction estimated at the time of their being recorded in assets and liabilities, respectively.

Liabilities, excluding loans, have been valued at nominal value including, if any, interest expense accrued as of the end of the period/year. The values thus obtained do not differ significantly from those that would have been obtained if the current Argentine GAAP had been applied, inasmuch as they establish that they must be valued at their estimated cash price at the time of the transaction, plus interest and implicit financing components accrued on the basis of the internal rate of return determined at such opportunity.

**e) Supplies:**

Supplies were valued at acquisition cost restated to reflect the effects of inflation as indicated in Note 2. The consumption of supplies has been valued based on the average cost method.

The Company has classified supplies into current and non-current depending on whether they will be used for maintenance or capital expenditures.

The carrying value of supplies, taken as a whole, does not exceed their recoverable value as of the end of the period/year.

**f) Non-current investments:**

- 50% interest held in the related company SACME S.A. (a company organized by means of equal contributions by distribution companies EDENOR S.A. and EDESUR S.A. in accordance with the Bid Package). SACME S.A. is in charge of monitoring the electric power supplied to the aforementioned distributors. As of June 30, 2010 and December 31, 2009, the investment in SACME has been recorded at its equity value (Exhibit C).

In order to determine the equity value, the audited financial statements of SACME S.A. as of June 30, 2010 and December 31, 2009 have been used. The accounting principles used by SACME are similar to those applied by EDENOR for the preparation of its financial statements.

**g) Property, plant and equipment:**

Property, plant and equipment transferred by SEGBA on September 1, 1992 were valued as of the privatization date as described below, and restated to reflect the effects of inflation as indicated in Note 2. The total value of the assets transferred from SEGBA was allocated to individual assets accounts on the basis of engineering studies conducted by the Company.

The total value of property, plant and equipment has been determined based on the US\$ 427 million price actually paid by EASA for the acquisition of 51% of the Company's capital stock at acquisition date. Such price was used to value the entire capital stock of EDENOR at 832 million pesos, which, when added to the fair value of the debts assumed by the Company under the SEGBA Privatization Bid Package for 139.2 million pesos less the fair value of certain assets received from SEGBA for 103.2 million, valued property plant and equipment at 868 million pesos.

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 restated to reflect the effects of inflation as indicated in Note 2, net of the related accumulated depreciation. Depreciation has been calculated by applying the straight-line method over the estimated 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 TR No. 17, financial costs in relation to any given asset may 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 a 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. The Company capitalized financial costs on property, plant and equipment from 1997 to 2001, from 2006 through 2009 and during the six-month period ended June 30, 2010. Financial costs capitalized for the six-month periods ended June 30, 2010 and 2009 amounted to 11,029 and 12,992, respectively.

During the six-month periods ended June 30, 2010 and 2009, direct and indirect costs capitalized amounted to 25,482 and 23,222 respectively.

Furthermore, on May 19, 2008 the Company entered into a software lease agreement, which, in accordance with the provisions of section 4.1 of Technical Resolution No. 18 of the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires, has been considered as a Finance Lease. Additionally, on November 27, 2008 the aforementioned agreement was amended so as to extend its scope.

Common characteristics of these lease contracts are that they transfer substantially all the risks and rewards incident to the ownership of the leased asset, whose ownership title may be transferred or not. In consideration thereof, the Company (lessee) agrees to make one or more payments that cover the current value of the asset and the corresponding financial charges.

For this concept, the Company has recorded 11,849 in the Property, plant and equipment account (Exhibit A) as of December 31, 2009; 945 and 3,744 in Other Liabilities under Other (Note 10) as of June 30, 2010 and December 31, 2009, respectively, and 200 and 592 in the Statement of Income under Financial interest as of June 30, 2010 and 2009, respectively.

The recorded value of property, plant and equipment, taken as a whole, does not exceed their recoverable value as of the end of the period/year.

**h) Allowances (Exhibit E):**

Allowance for doubtful accounts: it has been recorded to adjust the valuation of trade receivables and other receivables up to their estimated recoverable value. The amount of the allowance has been determined based on the historical series of collections for services billed through the end of the period/year and collections subsequent thereto.

Additionally, for purposes of calculating the amount of the allowance, the Company has considered a detailed analysis of accounts receivable in litigation.

The evolution and balances of allowances have been disclosed in Exhibit E.

**i) Accrued litigation:**

Amounts have been accrued for several contingencies.

- 1) The Company is a party to certain lawsuits and administrative proceedings in several courts and government agencies, including certain tax contingencies arising from the ordinary course of business. The Argentine tax authority ("AFIP") had challenged certain income tax deductions related to allowances for doubtful accounts made by the Company on its income tax returns for fiscal years 1996, 1997 and 1998, and had assessed additional taxes for approximately 9,300. Tax related contingencies were subject to interest charges and, in some cases, to fines. For these concepts, the Company had recorded an accrual for 29,521. This matter was on appeal to the Federal Tax Court and the Federal Appellate Court in Administrative Matters. During the appeal process, payment of such claim had been suspended.

On April 27, 2009, the Company adhered to the tax regularization plan established in Law No. 26,476. The main features of the aforementioned moratorium are as follow:

- Waiver of fines and penalties on which no final judgment has been issued at the time of adherence to the regularization plan;
- Waiver of late payment/default and penalty interest in the amount exceeding 30 % of the principal owed;
- An initial payment equal to 6% of the debt existing at the time of adherence to the regularization plan;
- The remaining balance payable in 120 monthly installments with a 0.75% monthly interest rate.
- 30% to 50% reduction in tax agents and AFIP attorneys' fees.

In accordance with the assessment of the tax regularization plan, the Company's debt amounted to 12,122. As of June 30, 2010, the Company paid for this concept an amount of 2,057, thus the remaining balance of the Company's debt totals 10,065 (Note 9).

- 2) The Company is also a party to civil and labor lawsuits in the ordinary course of business. At the end of the period/year, management evaluates these contingencies and records an accrual for related potential losses when: (i) payment thereof is probable, and (ii) the amount can be reasonably estimated. The Company estimates that any loss in excess of amounts accrued in relation to the above matters will not have a material adverse effect on the Company's result of operations or its financial position.

The evolution and balances of the accrued litigation account have been disclosed in Exhibit E.

**j) Loans:**

As of June 30, 2010 and December 31, 2009, the notes issued in United States dollars (Note 14) have been valued on the basis of the best estimate of the amount to be paid, discounted at a 10.5% annual nominal rate, which, in accordance with the Company's criterion, reasonably reflects market assessments of the time value of money and specific debt risks.

The adjustment to present value of future cash flows of the notes, at the market rate in effect at the time of the initial measurement, generated losses of 1,518 and 4,789 as of June 30, 2010 and 2009, respectively.

During the years ended December 31, 2009, 2008 and 2007, the Company purchased at market prices and in successive operations all "discount notes" and part of the "fixed rate par notes" due in 2016 and 2017, for nominal values of US\$ 86,038 thousand, US\$ 50,033 thousand and US\$ 283,726 thousand, respectively (Note 14).

As of June 30, 2010, the principal outstanding balance of the notes amounts to 764,225 (Notes 7 and 14).

The rest of the financial debts have been valued at nominal value plus interest expense accrued as of the end of the period/year. The values thus obtained do not differ significantly from those that would have been obtained if the Argentine GAAP had been applied, inasmuch as they establish that financial debts must be valued in accordance with the amount of money delivered and received, respectively, net of the transaction costs, plus financial results accrued on the basis of the internal rate of return estimated at the time of their initial recognition.

"Derivative financial instruments" (Note 23) have been valued in accordance with the provisions of section 2 of Technical Resolution No. 18 of the Argentine Federation of Professional Councils in Economic Sciences (FACPCE), which require that all derivative financial instruments be recognized as assets and/or liabilities at their fair value, regardless of whether they are designated as hedging instruments or not.

Furthermore, the changes in the accounting basis of financial instruments have been recognized by the Company in the Financial income (expense) and holding gains (losses) generated by assets account of the Statement of Income under Holding Results with a contra-account in Current Liabilities – Loans under Derivative financial instruments as of June 30, 2010 and December 31, 2009, respectively (Note 7).

**k) Shareholders' equity accounts:**

These accounts have been restated to reflect the effects of inflation as indicated in Note 2, except for the "Shareholders' Contributions - Nominal value" and "Additional Paid-in Capital" accounts which have been maintained at their nominal value. The excess of the adjusted value of Capital Stock over its nominal value has been included in the "Shareholders' Contributions – Adjustment to Capital" account.

The Treasury Stock account represents the nominal value of the Company's own shares acquired by the Company (Note 1).

**l) Statement of income accounts:**

- The accounts that accumulate monetary transactions have been disclosed at their nominal values.
- Financial income (expense) and holding gains (losses) have been disclosed separately under income (expense) generated by assets and by liabilities.
- The adjustment to present value of the notes is stated at nominal value.
- The adjustment to present value of trade receivables related to the application of the retroactive tariff increase agreed upon in the Adjustment Agreement and other trade receivables is stated at nominal value.

**m) Income tax and tax on minimum presumed income:**

The Argentine GAAP require the application of the deferred tax method to account for income tax. This method consists of recognizing deferred tax assets and liabilities when temporary differences arise from the valuation of assets and liabilities for accounting and tax purposes. Regarding the restatement of property, plant and equipment to reflect the effects of inflation, the Company has applied Resolution MD (the Board) No. 11/03 of the CPCECABA and General Resolution No. 487/06 of the CNV (Note 2 – Basis of presentation of the financial statements).

The reconciliation between the income tax as charged to the statement of income for the periods ended June 30, 2010 and 2009, and the amount that would result from applying the tax rate in effect (35%) to the income before taxes for each period, is as follows:

	<u>2010</u>	<u>2009</u>
Income for the period before taxes	16,079	134,742
Applicable tax rate	<u>35%</u>	<u>35%</u>
Income for the period at the applicable tax rate	5,628	47,160
Permanent differences:		
Adjustment for inflation of property, plant and equipment	12,589	13,638
Accruals and other	<u>(814)</u>	<u>(3,013)</u>
Total income tax charge for the period	17,403	57,785
Adjustment Income tax return	0	1,636
Variation between deferred assets (liabilities) charged to (loss) income	<u>9,191</u>	<u>(4,422)</u>
Income tax for the period	<u>26,594</u>	<u>54,999</u>

Additionally, the breakdown of deferred tax assets and liabilities as of June 30, 2010 and December 31, 2009 is as follows:

	<u>2010</u>	<u>2009</u>
<b>Non-current deferred tax assets</b>		
Tax-loss carry forward	7,656	4,293
Accruals	137,058	127,033
Other	<u>12,270</u>	<u>14,058</u>
	<u>156,984</u>	<u>145,384</u>

	<u>2010</u>	<u>2009</u>
<b>Non-current deferred tax liabilities</b>		
Property, plant and equipment and other	<u>(60,718)</u>	<u>(58,309)</u>
<b>Net deferred tax assets</b>	<u>96,266</u>	<u>87,075</u>

	<u>2010</u>	<u>2009</u>
Net deferred tax assets - Initial balance	87,075	80,768
Use of tax loss carryforward	0	(8,316)
Variation between deferred assets (liabilities) charged to (loss) income	<u>9,191</u>	<u>14,623</u>
<b>Net deferred tax assets - Ending balance</b>	<u>96,266</u>	<u>87,075</u>

As of June 30, 2010 and December 31, 2009, no minimum presumed income tax charge has been recorded due to the fact that it is lower than the charge of the income tax accrual.

**n) Operating leases:**

As lessee, EDENOR has lease contracts (buildings) which classify as operating leases.

Common characteristics of these lease contracts are that lease payments (installments) are established as fixed amounts; there are neither purchase option clauses nor renewal term clauses (except for the Handling and Energy Transformation Center contract 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 two to thirteen years.

Buildings are for commercial offices, two warehouses, the headquarters building (comprised of administration, commercial and technical offices), the Handling and Energy Transformation Center (two buildings and a plot of land located within the perimeter of Central Nuevo Puerto and Puerto Nuevo) and Las Heras substation.

As of June 30, 2010 and December 31, 2009, future minimum lease payments with respect to operating leases are as follow:

	<u>2010</u>	<u>2009</u>
2010	2,986	8,400
2011	6,251	2,645
2012	8,564	336
2013	8,376	209
2014	8,312	147
2015	<u>2,869</u>	<u>147</u>
<b>Total future minimum lease payments</b>	<b><u>37,358</u></b>	<b><u>11,884</u></b>

Total rental expenses for all operating leases for the six-month periods ended June 30, 2010 and 2009 are as follow:

	<u>2010</u>	<u>2009</u>
<b>Total lease expenses</b>	5,917	4,050

As lessor, Edenor has entered into several operating lease contracts with certain cable television companies granting them the right to use the poles of the Company's network. Most of such lease contracts include automatic renewal clauses.

As of June 30, 2010 and December 31, 2009, future minimum lease collections with respect to operating leases are as follow:

	<u>2010</u>	<u>2009</u>
2010	6,055	12,831
2011	9,375	12,294
2012	119	2,167
2013	75	75
2014	<u>18</u>	<u>18</u>
<b>Total future minimum lease collections</b>	<b><u>15,642</u></b>	<b><u>27,385</u></b>

Total rental income for all operating leases for the six-month periods ended June 30, 2010 and 2009, is as follows:

	<u>2010</u>	<u>2009</u>
<b>Total lease income (Note 11)</b>	7,605	6,367

**o) Labor cost liabilities and early retirements payable:**

They include the following charges:

- for supplementary benefits of leaves of absence derived from accumulated vacation,
- for seniority-based bonus to be granted to employees with a specified number of years of employment, as stipulated in collective bargaining agreements in effect. As of June 30, 2010 and December 31, 2009, the accrual for such bonuses amounted to 10,092 and 9,064, respectively (Note 8), and
- for other personnel benefits (pension plan) to be granted to employees upon retirement, as stipulated in collective bargaining agreements in effect. As of June 30, 2010 and December 31, 2009, the accrual for these benefits amounted to 28,816 and 24,820, respectively (Note 8).

Liabilities related to the above-mentioned seniority-based bonus and other personnel benefits (pension plans) to be granted to employees, have been determined taking into account all rights accrued by the beneficiaries of both plans as of June 30, 2010 and December 31, 2009, respectively, on the basis of actuarial studies conducted by an independent actuary as of December 31, 2009. Such liabilities have been disclosed under the "Salaries and social security taxes" account as seniority-based bonus and other personnel benefits, respectively (Note 8).

Early retirements payable corresponds to individual optional agreements. After employees reach a specific age, the Company may offer them this option. The related accrued liability represents future payment obligations which as of June 30, 2010 and December 31, 2009 amount to 6,492 and 6,185 (current) and 8,673 and 9,789 (non-current), respectively (Note 8).

The periodical components of the personnel benefits plan for the six-month periods ended June 30, 2010 and 2009 are as follow:

	<u>2010</u>	<u>2009</u>
Cost	914	804
Interest	3,912	2,422
Amortization of recognized net actuarial loss	406	657
	<u>5,232</u>	<u>3,883</u>

The detail of the variations in the Company's payment commitments under the personnel benefits plan as of June 30, 2010 and December 31, 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Payment commitments under the personnel benefits plan at the beginning of the year	31,195	26,623
Cost	914	1,608
Interest	3,912	4,843
Actuarial loss	0	(886)
Benefits paid to participating employees	(1,236)	(993)
Payment commitments under the personnel benefits plan at the end of the period	<u>34,785</u>	<u>31,195</u>
Payment commitments under the personnel benefits plan at the end of the period	34,785	31,195
Unrecognized net actuarial loss	(5,969)	(6,375)
Total personnel benefits plan (Note 8)	<u>28,816</u>	<u>24,820</u>

Actuarial assumptions used were the following:

	<u>2010</u>	<u>2009</u>
Discount rate	24%	25%
Salary increase	15%	15%
Inflation	18%	11.5%

The actuarial method used by the Company is the "Projected Unit Credit Method".

As of June 30, 2010 and December 31, 2009, the Company does not have any assets related to the personnel benefit plan (pension plan).

**p) Customer deposits and contributions:**

**Customer deposits:**

Under the Concession Agreement, the Company is allowed to receive customer deposits in the following cases:

1. When the power supply is requested and the user is unable to provide evidence of his legal ownership of the premises;
2. When service has been suspended more than once in one-year period;
3. When the power supply is reconnected and the Company is able to verify the illegal use of the service (fraud).
4. 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 called "reference" rate.

When a customer requests that the supply service be disconnected, the customer's deposit is credited (principal amount plus any interest accrued up to the date of reimbursement). Any balance outstanding at the time of requesting the disconnection of the supply service is deducted from the amount so credited. Similar procedures are followed when the supply service is disconnected due to a lack of customer payment. Consequently, the Company recovers, either fully or partially, any amount owed for electric power consumption.

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.

**Customer contributions:**

The Company receives advances from certain customers for services to be provided based on individual agreements. Such advances are stated at nominal value as of the end of the period/year.

**q) Revenue recognition:**

Revenues from operations are recognized on an accrual basis and derive mainly from electricity distribution. Such revenues include electricity supplied, whether billed or unbilled, at the end of each period and have been valued on the basis of applicable tariffs.

The Company also recognizes revenues from other concepts included in distribution services, such as new connections, rights of use on poles, transportation of electricity to other distribution companies, etc.

All revenues are recognized when the Company's revenue earning process has been substantially completed, the amount of revenues may be reasonably measured and the economic benefits associated with the transaction flow to the Company.

During the year ended December 31, 2007, the Company recognized revenues from the retroactive tariff increase deriving from the application of the electricity rate schedule resulting from the Temporary Tariff Regime (RTT) to non-residential consumption for the period of November 2005 through January 31, 2007 (Note 17.b) as it was during this fiscal year that the new electricity rate schedule was approved by Resolution No. 51/2007 of the ENRE and applied as from February 1, 2007.

On October 4, 2007 the *Official Gazette* published Resolution No. 1037/2007 of the National Energy Secretariat. Said resolution establishes that the amounts paid by the Company for the Quarterly Adjustment Coefficient (CAT) implemented by Section 1 of Law No. 25,957, as well as the amounts corresponding to the Cost Monitoring Mechanism (MMC) for the period May 2006 through April 2007 (Note 17 b and c) be deducted from the funds resulting from the difference between surcharges billed and discounts made to customers, deriving from the implementation of the Program for the Rational Use of Electric Power (PUREE), until their transfer to the tariff is granted by the regulatory authority. The resolution also establishes that the MMC adjustment for the period May 2006 through April 2007, applicable as from May 1, 2007, amounts to 9.63 %.

Additionally, on October 25, 2007 the ENRE issued Resolution No. 710/2007 which approves the MMC compensation mechanism established in the aforementioned Resolution No. 1037/2007 of the National Energy Secretariat.

The amounts corresponding to the Cost Monitoring Mechanism (MMC) for the period May 2006 through April 2007 as well as those corresponding to the period May 2007 through October 2007 were transferred to the tariff as from July 1, 2008, in accordance with the provisions of Resolution No. 324/2008 (Note 17.b).

By Note No. 1383 dated November 26, 2008 of the National Energy Secretariat, the ENRE was instructed to consider the earmarking of the funds deriving from the application of the Cost Monitoring Mechanism (MMC) corresponding to the period May 2007 through October 2007 whose recognition was pending, and to allow that such funds be deducted from the excess funds deriving

from the application of the Program for the Rational Use of Electric Power (PUREE), in accordance with the provisions of Resolution No. 1037/2007 of the National Energy Secretariat.

**r) Estimates:**

The preparation of the financial statements in accordance with Argentine GAAP requires the Company's Board of Directors and Management to make estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results and amounts may differ from the estimates used in the preparation of the financial statements.

**s) Losses - Earnings per share:**

It has been computed on the basis of the number of shares outstanding as of June 30, 2010 and 2009 which amounts to 897,042,600 (net of the treasury shares as of June 30, 2010 and 2009 for 9,412,500). There is no earning (loss) per share dilution, as the Company has issued neither preferred shares nor corporate notes convertible into common shares.

**t) Segment information:**

In accordance with the provisions of TR No. 18, the Company is required to disclose segment information provided certain requirements are met. This Resolution establishes the criterion to be followed for reporting information on operating segments in annual financial statements, and requires the reporting of selective information on operating segments in interim financial reports. Operating segments are those components of the Company's activity about which different financial information may be obtained, whether for the allocation of resources or the determination of an asset's performance. TR No. 18 also establishes the criterion to be applied by the Company to disclose its services, geographical areas and major customers.

The Company is a natural monopoly that operates in a single business segment, electricity distribution and sale in a specific geographical area, pursuant to the terms of the concession agreement that governs the provision of this public service. The Company's activities have similar economic characteristics and are similar as to the nature of their products and services and the electricity distribution process, the type or category of customers, the geographical area and the methods of distribution. Management evaluates the Company's performance based on net income. Accordingly, the disclosure of information as described above is not necessary.

**u) Risk management:**

The Company operates mainly in Argentina. Its business may be affected by inflation, currency devaluation, regulations, interest rates, price controls, changes in governmental economic policies, taxes and other political and economic-related issues affecting the country. The majority of the Company's assets are either non-monetary or denominated in Argentine pesos, whereas the majority of its liabilities are denominated in U.S. dollars. As of June 30, 2010, a minimum portion of the Company's debts accrues interest at floating rates; consequently the Company's exposure to interest rate risk is limited (Note 14).

As of June 30, 2010 and December 31, 2009, the Company has entered into forward and futures contracts with the aim of mitigating the risk generated by the fluctuations in the US dollar rate of exchange (Notes 5, 7 and 23.b).

**v) Concentration risks:**

**Related to customers**

The Company's accounts receivable derive primarily from the sale of electric power.

No single customer accounted for more than 10% of sales for the six-month periods ended June 30, 2010 and 2009. The collectibility of trade receivables balances related to the Framework Agreement,



which amount to 29,005 and 54,823 as of June 30, 2010 and December 31, 2009, respectively, as disclosed in Notes 4 and 13, is subject to compliance with the terms of such agreement.

#### **Related to employees who are union members**

As of June 30, 2010 and December 31, 2009, approximately 83% of the Company's employees were union members. Although the relationship with unions is currently stable, the Company may not ensure that there will be no work disruptions or strikes in the future, which could have a material adverse effect on the Company's business and the results of operations. Furthermore, collective bargaining agreements signed with unions expired at the end of the 2007 fiscal year. There is no guarantee that the Company will be able to negotiate new collective bargaining agreements under the same terms as those currently in place or that there will be no strikes before or during the negotiation process.

The Bid Package sets forth the responsibilities of both SEGBA and the Company in relation to the personnel transferred by SEGBA through Resolution No. 26/92 of the Energy Secretariat. According to the Bid Package, SEGBA will be fully liable for any labor and social security obligations accrued or originated in events occurred before the take-over date, as well as for any other obligations deriving from lawsuits in process at such date.

During 2005, two new collective bargaining agreements were signed with the Sindicato de Luz y Fuerza de la Capital Federal and the Asociación de Personal Superior de Empresas de Energía, which expired on December 31, 2007 and October 31, 2007, respectively. These agreements were approved by the Ministry of Labor and Social Security on November 17, 2006 and October 5, 2006, respectively.

As of the date of issuance of these financial statements, meetings aimed at negotiating the renewal terms of both collective bargaining agreements are being held with the above-mentioned unions.

#### **w) Foreign currency translation/ transactions:**

The Company accounts for foreign currency denominated assets and liabilities and related transactions as follows:

The accounting measurements of purchases, sales, payments, collections, other transactions and outstanding balances denominated in foreign currency are translated into pesos using the exchange rates described below. Thus, the resulting amount in pesos represents the amount collected or to be collected, paid or to be paid.

For conversion purposes, the following exchange rates are used:

- a) the exchange rate in effect at the date of the transaction, for payments, collections and other transactions denominated in foreign currency; and
- b) the exchange rate in effect at the date of the financial statements, for assets and liabilities denominated in foreign currency.

For transactions and balances denominated in foreign currency, the bid price is used for assets, and the offer price is used for liabilities.

The effect of such transactions has been included in the Statement of Income as "Exchange difference" under "Financial income (expense) and Holding gains (losses)".

#### **x) Financial statements comparison:**

Certain amounts disclosed in the financial statements as of June 30, 2009 have been reclassified for comparative purposes, following the disclosure criteria used for the financial statements as of June 30, 2010.

Such reclassifications do not imply any changes in shareholders' equity as of June 30, 2009 or in the results of operations for the period ended as of that date.

#### 4. TRADE RECEIVABLES

The detail of trade receivables as of June 30, 2010 and December 31, 2009 is as follows:

	<u>2010</u>	<u>2009</u>
<b>Current:</b>		
Receivables from sales of electricity:		
Billed	193,060	181,595
Unbilled		
Sales of electricity	134,965	139,181
Retroactive tariff increase arising from the application of the new electricity rate schedule (Note 17.b item d)	37,206	37,391
Adjustment to present value of the retroactive tariff increase arising from the application of the new electricity rate schedule (Note 3.c)	(2,535)	(2,516)
Framework Agreement (Notes 3.v and 13)	29,005	36,273
Adjustment to present value of Framework Agreement (Note 13)	0	(1,406)
Framework Agreement - Payment plan agreement with the Province of Bs. As. (Note 13)	0	2,292
National Fund of Electricity (Note 17.a)	3,515	2,840
Bonds for the cancellation of debts of the Province of Bs. As. (Note 13)	25,565	0
Specific fee payable for the expansion of the network, transportation and others (Note 17.b)	3,619	2,459
In litigation	<u>11,198</u>	<u>10,815</u>
Subtotal	435,598	408,924
Less:		
Allowance for doubtful accounts (Exhibit E)	<u>(24,672)</u>	<u>(19,688)</u>
	<u>410,926</u>	<u>389,236</u>
<b>Non-Current:</b>		
Receivables from sales of electricity:		
Unbilled		
Sales of electricity	45,531	45,531
Retroactive tariff increase arising from the application of the new electricity rate schedule (Note 17.b item d)	7,948	31,795
Adjustment to present value of the retroactive tariff increase arising from the application of the new electricity rate schedule (Note 3.c)	(857)	(4,119)
Framework Agreement (Notes 3.v and 13)	0	18,550
Adjustment to present value of Framework Agreement (Note 13)	<u>0</u>	<u>(4,710)</u>
	<u>52,622</u>	<u>87,047</u>

## 5. OTHER RECEIVABLES

The detail of other receivables as of June 30, 2010 and December 31, 2009 is as follows:

	<u>2010</u>	<u>2009</u>
<b>Current:</b>		
Prepaid expenses (1)	8,648	2,800
Advances to suppliers	1,480	142
Advances to personnel	4,698	6,396
Related parties (Note 15)	1,659	1,604
Receivables from activities other than the main activity (2)	19,964	20,402
Allowance for other doubtful accounts (Exhibit E)	(10,765)	(7,908)
Initial margins and other (3)	659	32,544
Tax on financial transactions	816	682
Other (4)	<u>7,444</u>	<u>4,436</u>
	<u>34,603</u>	<u>61,098</u>

### Non-current:

Prepaid expenses	1,319	1,439
Net deferred tax assets (Note 3.m)	96,266	87,075
Other	<u>1,310</u>	<u>242</u>
	<u>98,895</u>	<u>88,756</u>

- (1) Includes 549 and 447 in foreign currency (Exhibit G) as of June 30, 2010 and December 31, 2009, respectively.
- (2) Includes 2,268 and 1,367 in foreign currency (Exhibit G) as of June 30, 2010 and December 31, 2009, respectively.
- (3) Related to initial margins on derivative financial instruments (Notes 3.u and 23.b), 345 and 22,899 of which are denominated in foreign currency (Exhibit G) as of June 30, 2010 and December 31, 2009, respectively.
- (4) Includes 4,478 and 129 in foreign currency (Exhibit G) as of June 30, 2010 and December 31, 2009, respectively.

## 6. TRADE ACCOUNTS PAYABLE

The detail of trade accounts payable as of June 30, 2010 and December 31, 2009 is as follows:

	<u>2010</u>	<u>2009</u>
<b>Current:</b>		
Payables for purchase of electricity and other purchases (1)	223,718	214,693
Unbilled electric power purchases	99,379	92,945
Customer contributions (Note 3.p)	31,118	28,874
Other (2)	<u>9,363</u>	<u>11,270</u>
	<u>363,578</u>	<u>347,782</u>

### Non-Current:

Customer deposits (Note 3.p)	46,362	44,179
Other (3)	<u>2,284</u>	<u>2,675</u>
	<u>48,646</u>	<u>46,854</u>

- (1) Includes 25,790 and 29,034 in foreign currency (Exhibit G) as of June 30, 2010 and December 31, 2009, respectively. Also, includes balances with SACME S.A. for 860 and 1,000 as of June 30, 2010 and December 31, 2009, respectively (Note 15).
- (2) Includes 749 related to the debt recognition and refinancing agreement entered into with the

ONABE (Note 17.c).

(3) Debt recognition and refinancing agreement entered into with the ONABE (Note 17.c).

## 7. LOANS

The detail of loans as of June 30, 2010 and December 31, 2009 is as follows:

	<u>2010</u>	<u>2009</u>
<b>Current:</b>		
Financial loans:		
Principal	16,667	43,333
Interest	<u>125</u>	<u>305</u>
Subtotal debt for financial loans	16,792	43,638
Corporate Notes (Note 14):		
Floating Rate Par Notes – Class 8	23,285	17,464
Interest (1)	15,856	15,885
Fixed and Incremental Rate Par Notes – Class A (2)	3,005	0
Floating Rate Par Notes – Class A (2)	1,244	0
Derivative financial instruments (Notes 3.u and 23.b)	<u>9,242</u>	<u>6,001</u>
Subtotal debt for corporate notes	52,632	39,350
Adjustment to present value of notes (Note 3.j)	<u>(393)</u>	<u>0</u>
Debt for Corporate Notes at present value	<u>52,239</u>	<u>39,350</u>
	<u>69,031</u>	<u>82,988</u>
	<u>2010</u>	<u>2009</u>
<b>Non-current:</b>		
Corporate Notes (Note 14):		
Floating Rate Par Notes – Class 8	46,594	58,236
Fixed Rate Notes – Class 7 (2)	584,502	565,022
Fixed and Incremental Rate Par Notes – Class A (2)	57,088	58,091
Floating Rate Par Notes – Class A (2)	<u>48,507</u>	<u>48,093</u>
Subtotal debt for corporate notes	736,691	729,442
Adjustment to present value of notes (Note 3.j)	<u>(20,032)</u>	<u>(21,943)</u>
Debt for Corporate Notes at present value	<u>716,659</u>	<u>707,499</u>
	<u>716,659</u>	<u>707,499</u>

- (1) Includes 14,121 and 13,996 in foreign currency (Exhibit G) as of June 30, 2010 and December 31, 2009, respectively.
- (2) In foreign currency (Exhibit G) as of June 30, 2010 and December 31, 2009.

## 8. SALARIES AND SOCIAL SECURITY TAXES

The detail of salaries and social security taxes as of June 30, 2010 and December 31, 2009 is as follows:

	<u>2010</u>	<u>2009</u>
<b>Current:</b>		
Salaries payable and accruals	87,294	101,435
Social Security (ANSES)	11,681	10,757
Early retirements payable (Note 3.o)	<u>6,492</u>	<u>6,185</u>
	<u>105,467</u>	<u>118,377</u>
Non-Current (Note 3.o):		

Personnel Benefits Plan	28,816	24,820
Seniority-based bonus	10,092	9,064
Early retirements payable	<u>8,673</u>	<u>9,789</u>
	<u>47,581</u>	<u>43,673</u>

## 9. TAXES

The detail of taxes as of June 30, 2010 and December 31, 2009 is as follows:

	<u>2010</u>	<u>2009</u>
<b>Current:</b>		
Provincial, municipal and federal contributions and taxes	33,055	28,957
Value Added Tax (VAT)	28,937	28,554
Income tax and Tax on minimum presumed income (net of advances, withholdings and payments on account)	22,370	37,867
Withholdings	9,029	9,464
Municipal taxes	26,004	24,693
Tax regularization plan Law No. 26,476 (Note 3.i.1)	1,312	1,261
Other	<u>9,628</u>	<u>9,505</u>
	<u>130,335</u>	<u>140,301</u>
<b>Non-Current:</b>		
Tax regularization plan Law No. 26,476 (Note 3.i.1)	<u>8,753</u>	<u>9,374</u>

## 10. OTHER LIABILITIES

The detail of other liabilities as of June 30, 2010 and December 31, 2009 is as follows:

	<u>2010</u>	<u>2009</u>
<b>Current:</b>		
Other (1)	<u>5,204</u>	<u>8,012</u>
	<u>5,204</u>	<u>8,012</u>
<b>Non-current:</b>		
ENRE penalties and discounts (Note 17 a and b)	402,354	377,456
Program for the rational use of electric power (PUREE) (Note 17 a)	<u>369,065</u>	<u>233,319</u>
	<u>771,419</u>	<u>610,775</u>

- (1) Includes 3,523 and 1,370 in foreign currency (Exhibit G) as of June 30, 2010 and December 31, 2009, respectively.  
Additionally, includes 945 and 3,744 related to the software lease agreement (Note 3.g) as of June 30, 2010 and December 31, 2009, respectively.

## 11. NET SALES

The breakdown of net sales for the six-month periods ended June 30, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Sales of electricity (1)	1,067,866	1,039,981

Late payment charges	11,416	10,191
Right of use on poles (Note 3.n)	7,605	6,367
Connection charges	2,886	2,641
Reconnection charges	<u>1,145</u>	<u>1,009</u>
	<u>1,090,918</u>	<u>1,060,189</u>

(1) Net of ENRE discounts and penalties for 25,835 and 22,000 for the six-month periods ended June 30, 2010 and 2009, respectively (Note 17 a and b).

## 12. OTHER (EXPENSE) - INCOME NET

The breakdown of other (expense) - income net for the six-month periods ended June 30, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Non-operating (expense) income	(795)	1,156
Commissions on municipal taxes collection	2,393	1,612
Net expense from technical services	(1,440)	(1,458)
Voluntary Retirements - Bonuses	(5,363)	(4,108)
Severance paid	(2,309)	(2,398)
Accrued litigation (Exhibit E)	0	(6,000)
Disposal of property, plant and equipment	(604)	(209)
Recovery of allowance for doubtful accounts (1)	0	21,236
Net recovery of accrued litigation (2)	0	23,431
Other	<u>(95)</u>	<u>1,187</u>
	<u>(8,213)</u>	<u>34,449</u>

(1) Related to the Framework Agreement Province of Buenos Aires (Note 13, Exhibits E and H).

(2) Related to the Company's adherence to the tax regularization plan.

## 13. FRAMEWORK AGREEMENT

On January 10, 1994, the Company, together with EDESUR S.A., the Argentine Federal Government and the Government of the Province of Buenos Aires signed a Framework Agreement aimed at resolving the issue of supplying electricity to low-income areas and shantytowns. Pursuant to such Framework Agreement, the Company is entitled to receive compensation from a Special Fund for any non-payments of electricity supplied to low-income areas and shantytowns.

As permitted by section 13 of the Agreement, which stipulated that the terms and conditions of the Agreement could be subject to review and/or adjustments under certain circumstances, and taking into account that not all of the objectives of the Agreement could be completely fulfilled within the originally stipulated period, although most of them had been accomplished, and considering also that new shantytowns had appeared which had to be recognized, the parties agreed to extend the term of the Agreement for an additional fifty-month period ending August 31, 2002. During such additional period the original provisions of the Framework Agreement and the Regulations continued to be in effect. Furthermore, a new population census was conducted so as to identify those shantytowns which up to then had not been recognized.

On October 6, 2003, the Company signed a new Framework Agreement with the Argentine Federal Government and the Government of the Province of Buenos Aires, whose purpose was similar to that of the previous agreement, and which retroactively covered all the services provided as from September 1, 2002. The term of the new framework agreement was four years to commence as from January 1, 2003 and could be renewed for another four-year term should the parties so agree. The aforementioned Framework Agreement expired on December 31, 2006

On October 26, 2006, the Company entered into a Payment Plan Agreement with the Government of the Province of Buenos Aires which establishes the conditions according to which the Province of Buenos

Aires will honor its obligation to the Company amounting to 27,114, for the period September 2002 through June 2006, which the Province agrees to verify in accordance with the provisions of chapter VI - section 13 and related sections- of the Fund Regulations of the New Framework Agreement. Furthermore, the Province agrees to pay the debt resulting from the aforementioned verification, in 18 equal, consecutive and monthly installments.

On September 22, 2008, the *Official Gazette* published Resolution No. 900/2008 of the Ministry of Federal Planning, Public Investment and Services which ratifies the Addendum to the New Framework Agreement entered into by the Federal Government and the Company, according to which the term of the agreement is renewed for a period of four years to commence as from January 1, 2007. Furthermore, on March 11, 2009, by Resolution No. 158/2009, the ENRE approves the extension of the regulations established in the Addendum to the new Framework Agreement in the terms of Resolution No. 22/2004.

On June 18, 2009, the *Official Gazette* of the Province of Buenos Aires published Decree No. 732, which ratifies the Addendum to the New Framework Agreement entered into by the Government of the Province of Buenos Aires and the Company, according to which the term of the agreement is renewed for a period of four years to commence as from January 1, 2007.

During November-December 2009 and March through June 2010, the Company received payments from the Argentine Federal Government for 20,000 and 8,004, respectively.

By virtue of Law No. 14,062 and Decree No. 2,789/09 of the Province of Buenos Aires related to the issuance of bonds for the cancellation of debts of such province (*Bonos de Cancelación de Deudas de la Provincia de Buenos Aires*) and their regulations, in March 2010, the Company entered into a Payment Plan Agreement with the Government of the Province of Buenos Aires pursuant to which the Government of the Province of Buenos Aires verified and paid with Bonds for the Cancellation of Debts, the debt stated therein in the amount of 32,797. The aforementioned agreement was ratified by the Provincial Executive Power and the Company's Board of Directors. As of June 30, 2010, the balance of Bonds for the Cancellation of Debts kept by the Company amounts to 25,565 (Note 4).

Additionally, as of June 30, 2010 and December 31, 2009, balances with the Argentine Federal Government and the Government of the Province of Buenos Aires amount to 29,005 and 54,823, respectively (Note 4). Due to the fact that the Framework Agreement has been totally ratified, the Company has provided the ENRE with the documentation to validate the amounts to be collected for this concept and has initiated the corresponding collection proceedings.

#### **14. CORPORATE NOTES PROGRAM**

##### **RESTRUCTURING OF FINANCIAL DEBT**

On January 19, 2006, the Company's Board of Directors approved the launching of a solicitation of consent for the restructuring of the Company's financial debt through the exchange of such debt for a combination of cash and notes (the Restructuring) pursuant to a voluntary exchange offer (the Voluntary Exchange Offer) and/or an out-of-court reorganization agreement (*Acuerdo Preventivo Extrajudicial*) (the APE).

The restructuring of the Company's debt was carried out throughout the fiscal year ended December 31, 2006. As a result of the restructuring process, the defaulted debt prior to the restructuring, which amounted to US\$ 540.9 million as of February 22, 2006, was reduced to US\$ 376.4 million, with an average term of more than 8 years, at an average cost of 8% and final maturity in 2019.

On February 23, 2006, the Annual General Meeting approved the extension of the Global Medium-Term Corporate Notes Issuance Program for a Maximum Amount (outstanding at any time) of up to US\$ 600 million (or its equivalent in any other currency). Said extension was also approved by the CNV through Resolution No. 15,359 issued by the CNV's Board of Directors on March 23, 2006.

In the meeting held on June 14, 2007, the Company's Board of Directors approved the updating of the Trust Agreement for the issuance of corporate notes that had been duly approved by the CNV, as required by section 76 of Chapter VI of the CNV's Regulations.

On June 28, 2007, the Company's Board of Directors' meeting approved the issuance and public offering, within the framework of the Program and under the terms of Law No. 23,576 as amended, of fixed rate Corporate Notes for a nominal value of up to US\$ 250 million with maximum maturity in 2017. On October 9, 2007, the Company issued and carried out the public offering of Class 7 Corporate Notes for US\$ 220 million. The 10-year term Corporate Notes were issued at an issue price of 100% of the principal amount, and accrue interest as from the date of issuance at a fixed rate of 10.5% per annum, payable on April 9 and October 9 of each year, with the first interest payment maturing on April 9, 2008. The principal will be amortized by a lump sum payment at maturity date on October 9, 2017. The Company has requested authorization for the trading of the Corporate Notes on the Buenos Aires Stock Exchange, the Mercado Abierto Electrónico S.A. (the OTC market of Argentina), the Luxembourg Stock Exchange, and the Euro MTF Market, which is the alternative market of the Luxembourg Stock Exchange. Furthermore, the Company may request authorization for the listing of the Corporate Notes on the PORTAL Market as well as authorization for their trading and/or negotiation on any other stock exchange and/or self-regulated market of Argentina and/or abroad.

Most of the net proceeds from the sale of the Corporate Notes were used for the purchase, payment or redemption of the Company's outstanding Discount Corporate Notes due in 2014.

Furthermore, on April 13, 2009, the Company's Board of Directors approved the issuance and public offering, within the framework of the Program and under the terms of Law No. 23,576, as amended, of floating rate Corporate Notes for a nominal value of up to 150,000 with maximum maturity in 2013.

On May 7, 2009, the Company issued and carried out the public offering of Class 8 Corporate Notes for 75,700. The four-year term corporate notes were issued at an issue price of 100% of the principal amount and accrue interest as from the date of issuance at a floating private BADLAR rate plus a spread of 6.75%, payable quarterly on May 7, August 7, November 7 and February 7 of each year, with the first interest payment maturing on August 7, 2009.

The principal will be amortized in 13 consecutive and quarterly installments, the first of which became due on May 7, 2010.

The Company has requested authorization for the listing of the Corporate Notes on the Buenos Aires Stock Exchange (BCBA) and admission for trading on the Mercado Abierto Electrónico S.A. (the OTC market of Argentina).

The Company used the net proceeds from the sale of the Corporate Notes to finance the capital expenditures plan.

During the years ended December 31, 2009, 2008 and 2007, the Company purchased at market prices and in successive operations all "discount notes" and part of the "fixed rate par notes" due in 2016 and 2017, for nominal values of US\$ 86,038 thousand, US\$ 50,033 thousand and US\$ 283,726 thousand, respectively.

Furthermore, on the meeting held on June 28, 2010, the Company's Board of Directors approved a new updating of the Prospectus of the Global Corporate Notes Program that had been duly approved by the CNV, as required by section 76 of Chapter VI of the CNV's Regulations.

The Company's debt structure as of June 30, 2010 and December 31, 2009 was comprised of the following Notes:

Debt issued in United States dollars:



Type	Class	Debt structure as of December 31, 2009 in thousands of US\$	Debt structure as of June 30, 2010 in thousands of US\$	Balance as of June 30, 2010 (Note 7) in thousands of pesos
	A	15,287	15,287	60,093
Fixed Rate Par Note				
	B	0	0	0
Floating Rate Par Note	A	12,656	12,656	49,751
Fixed Rate Par Note	7	148,690	148,690	584,502
<b>Total</b>		<b>176,633</b>	<b>176,633</b>	<b>694,346</b>

As of June 30, 2010 and December 31, 2009, the Company has in its portfolio Class 7 fixed rate par notes for US\$ 65,310 thousand.

Debt issued in Argentine pesos:

Type	Class	Debt structure (in thousands of pesos) as of	
		December 31, 2009	June 30, 2010 (Note 7)
Floating Rate Par Note	8	75,700	69,879
<b>Total</b>		<b>75,700</b>	<b>69,879</b>

The debt structure for US dollar-denominated corporate notes originally issued and payments made during fiscal years 2007, 2008 and 2009 were as follow:

Type	Class	Initial debt structure in thousands of US\$	Debt purchase 2007 fiscal year in thousands of US\$	Debt purchase 2008 fiscal year in thousands of US\$	Debt purchase 2009 fiscal year in thousands of US\$	Debt structure as of December 31, 2009 in thousands of US\$	Balance as of Dec. 31, 2009 (Note 7) in thousands of pesos
Fixed Rate Par Note	A	73,485	(998)	(29,347)	(27,853)	15,287	58,091
	B	50,289	(42,728)	(3,186)	(4,375)	0	0
Floating Rate Par Note	A	12,656	0	0	0	12,656	48,093
Discount Note	A	152,322	(152,322)	0	0	0	0
	B	87,678	(87,678)	0	0	0	0
Fixed Rate Par Note	7	220,000	0	(17,500)	(53,810)	148,690	565,022
<b>Total</b>		<b>596,430</b>	<b>(283,726)</b>	<b>(50,033)</b>	<b>(86,038)</b>	<b>176,633</b>	<b>671,206</b>

Additionally, from July 1, 2010 until the date of issuance of these financial statements, the Company has partially repurchased at market prices "par notes" due in 2016, for a nominal value of US\$ 7,270 thousand (Note 26).

The principal amortization schedule of the corporate notes debt, broken down by year of total debt, without considering possible adjustments, prepayments, redemptions or cancellations is detailed in the table below:

<u>Year</u>	<u>Amount</u>
2010	11,643
2011	31,784
2012	31,785
2013	20,164
2014	8,499
2015	8,499
2016	32,533

2017	589,477
2018	4,977
2019	<u>24,864</u>
	<u>764,225</u>

The main covenants are the following:

#### 1) Negative Covenants

The terms and conditions of the Corporate Notes include a series of negative covenants that limit the Company's actions with regard to, among others, the following:

- encumbrance or authorization to encumber its property or assets;
- incurrence of indebtedness, in certain specified cases;
- sale of the Company's assets related to its main business;
- carrying out of transactions with shareholders or related parties;
- making certain payments (including, among others, dividends, purchases of Edenor's common shares or payments on subordinated debt).

#### 2) Suspension of Covenants

Certain negative covenants stipulated in the trust agreement will be suspended or adjusted if:

- (a) The Company's long-term debt rating is raised to Investment Grade, or
- (b) 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.

#### 3) Registration Rights

In accordance with the Registration Rights Agreement, the Company filed with the SEC an application requesting authorization in connection with an authorized exchange offer of the Corporate Notes for new notes of the same class registered with the SEC in accordance with the Securities Act, representing the same outstanding debt and subject to similar terms and conditions.

The exchanged corporate notes would have no restrictions concerning their transfer and would be freely transferable after the authorized exchange offer by those Corporate Notes holders who are not related parties of the Company.

On April 13, 2009, the Company informed the National Securities Commission that under rule 144 of the US Securities Act of 1933, as amended, the Class 7 Corporate Notes due in 2017 had become freely transferable to and from any person who is not a related company of Edenor.

Consequently, the Company has entered into a complementary agreement in order to exchange the Regulation S Global Corporate Note (issued for a nominal value of US\$ 160,250 thousand) and the Restricted Global Corporate Note (issued for a nominal value of US\$ 59,750 thousand), both of them issued within the framework of the trust agreement, for one fully registered "Global Corporate Note" with no interest coupons attached for a nominal value of US\$ 220,000 thousand, which will not bear the restrictive legend, as defined under the trust agreement entered into on October 9, 2007.

**15. BALANCES AND TRANSACTIONS WITH THE CONTROLLING COMPANY AND RELATED PARTIES ART. 33 LAW 19550**

In the normal course of business, the Company carries out transactions with the controlling company and related parties.

As of June 30, 2010 and December 31, 2009, the outstanding balances with the controlling company and related parties are as follow:

	<u>2010</u>	<u>2009</u>
<u>Current investments</u> (Exhibit D)		
Transener S.A.	22,637	0
<b>Total</b>	<b><u>22,637</u></b>	<b><u>0</u></b>
<u>Other receivables</u> (Note 5)		
Electricidad Argentina S.A.	0	1
SACME S.A.	1,659	1,603
<b>Total</b>	<b><u>1,659</u></b>	<b><u>1,604</u></b>
<u>Trade accounts payable</u> (Note 6)		
SACME S.A.	(860)	(1,000)
<b>Total</b>	<b><u>(860)</u></b>	<b><u>(1,000)</u></b>

Transactions carried out with the controlling company and related parties for the six-month periods ended June 30, 2010 and 2009 are as follow:

	<u>2010</u>	<u>2009</u>
<u>Other income</u>		
Electricidad Argentina S.A.	4	5
<b>Total</b>	<b><u>4</u></b>	<b><u>5</u></b>
<u>Expenses from services</u>		
SACME S.A.	(2,566)	(2,495)
Préstamos y Servicios S.A.	(39)	(307)
Errecondo, Salaverri, Dellatorre, Gonzalez & Burgio	(65)	(25)
<b>Total</b>	<b><u>(2,670)</u></b>	<b><u>(2,827)</u></b>
	<u>2010</u>	<u>2009</u>
<u>Financial expenses and interest</u>		
Electricidad Argentina S.A.	(4,825)	(4,526)
Errecondo, Salaverri, Dellatorre, Gonzalez & Burgio	0	(145)
<b>Total</b>	<b><u>(4,825)</u></b>	<b><u>(4,671)</u></b>

**Agreement with Electricidad Argentina S.A. (controlling company)**

On April 4, 2006, the Company and EASA entered into an agreement pursuant to which EASA will provide technical advisory services on financial matters as from September 19, 2005 and for a term of five years. In consideration of these services, EDENOR will pay EASA an annual amount of US\$ 2,000,000 plus VAT. 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.

At the meeting held on April 22, 2008, the Board of Directors approved the addendum to the agreement for the provision of technical advisory services dated March 14, 2008. The aforementioned addendum stipulates that the amount to be paid by the Company in consideration of the services provided by Electricidad Argentina S.A. has been increased to US\$ 2,500,000 plus VAT, payable retroactively as from January 1, 2008. The rest of the contractual terms have not been modified.

#### **Agreement with Comunicaciones y Consumos S.A.**

On March 16, 2007, the Company and Comunicaciones y Consumos S.A. (CYCSA) entered into an agreement 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. 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 twenty years by virtue of an addendum to the agreement. The agreement will be automatically renewed upon expiration date for subsequent periods of five years, unless notice to the contrary is given by any of the parties no less than 120 days prior to the expiration of the corresponding period. In accordance with the agreement, CYCSA shall periodically request access to the Company's network. Such request will be evaluated by the Company and access will be granted based on the available capacity of the network. In consideration of the use of the network, CYCSA will grant the Company 2% of the annual charges collected from customers, before taxes, as well as 10% of the profits obtained from provision of services. Furthermore, CYCSA will indemnify the Company for any obligation arising from the rendering of the services through the Company's network. The agreement was signed on condition that CYCSA was to obtain the telecommunications license, which was granted by the National Communications Secretariat through Resolution No. 179/2008.

Furthermore, the first addendum to the Agreement for the Granting of Permission for the Use of Electricity Distribution Network was signed on October 27, 2008. Pursuant to this addendum, the Company granted CYCSA the right to use the poles and towers of High, Medium and Low-voltage overhead lines and the ducts and/or triple ducts accompanying High, Medium and Low-voltage ducts for the laying of optical fiber owned by CYCSA, on condition that the referred to optical fiber does not affect the normal supply of the public service. Moreover, said addendum grants Edenor the right to use part of the capacity of the optical fiber to be installed. It must be pointed out that the aforementioned addendum was approved by the Company's Board of Directors at the meeting held on November 5, 2008.

During November 2008, the Company and CYCSA entered into the second addendum to the agreement, which modifies section XI of the main agreement (Term of the Agreement), thus extending the term of the agreement from ten to twenty years to commence from the date on which it went into effect. The aforementioned addendum was approved by the Company's Board of Directors on December 18, 2008.

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

On March 16, 2007, the Company entered into an agreement with Préstamos y Servicios S.A. (PYSSA), a company engaged in the rendering of financial services, pursuant to which the Company granted PYSSA the exclusive right to conduct its direct and marketing services through the use of the Company's facilities and mailing services. As part of the agreement, the Company agreed to provide physical space in some of its offices so that PYSSA be able to offer financial and loan services to Company customers. Furthermore, the Company agreed to include PYSSA marketing material in the mail sent to customers, including the invoices. The term of the agreement is five years, which will be automatically renewed for subsequent periods of five years, unless any of the parties gives notice to the other of his intention to terminate the agreement no less than 120 days prior to the expiration of the corresponding period. In accordance with the terms of the agreement, PYSSA will pay the Company 2% of the monthly charges collected from customers, before taxes, as well as 10% of the profits obtained from its services. Furthermore, PYSSA agreed to indemnify the Company for any obligation arising from the rendering of its services. The agreement established that its term was subject to the authorization of the ENRE, which approved this through Resolution No. 381/2007.

The activities related to the aforementioned agreement have been temporarily suspended in the Company's offices.

## **16. CAPITAL STOCK**

### **a) General**

As of June 30, 2010 and December 31, 2009, the Company's capital stock 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.

As of June 30, 2010 and December 31, 2009, the Company owns 9,412,500 Class B treasury shares.

### **b) Restriction on the transfer of the Company's common shares**

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

Furthermore, Caja de Valores S.A. (the Public Register Office), which keeps the Share Register of the shares, is entitled (as stated in the Company's 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 are pledged during the entire term of the concession as security for the performance of the obligations assumed under the Concession Agreement.

Additionally, in connection with the issuance of Class 2 Corporate Notes, EASA is required to be the beneficial owner and owner of record of not less than 51% of EDENOR's issued, voting and outstanding shares.

Section ten of the Adjustment Agreement signed with the Grantor of the Concession and ratified through Decree No. 1957/06 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.

### **c) Employee Stock Ownership Program (ESOP)**

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 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. As of the date of payment of the deferred purchase price, the Guarantee and Repurchase Fund had not fully paid the amounts due to former ESOP participating employees for the transfer of their Class C shares.

A number of former employees of both SEGBA and the Company have brought legal actions against the Guarantee and Repurchase Fund, the Argentine Government and, in few cases, against the Company, in cases in relation to the administration of the Employee Stock Ownership Program. The plaintiffs who are former employees of SEGBA were not deemed eligible by the corresponding authorities to participate in the Employee Stock Ownership Program at the time of its creation. This decision is being disputed by the plaintiffs who are therefore seeking compensation. The plaintiffs who are former employees of the Company are claiming payment for the unpaid amounts owed to them by the Guarantee and Repurchase Fund either due to non-payment of the transfer of their shares upon retirement in favor of the Guarantee and Repurchase Fund or incorrect calculation of amounts paid to them by the Guarantee and Repurchase Fund. In several of these claims, the plaintiffs have obtained attachment orders or prohibitory injunctions against the Guarantee and Repurchase Fund on Class C shares and the amounts deposited in such Fund. Due to the fact that the resolution of these legal proceedings is still pending, the Federal Government has instructed Banco de la Nación Argentina to create a Contingency Fund so that a portion of the proceeds of the offering of the Employee Stock Ownership Program Class C shares be kept during the course of the legal actions.

No accrual has been recorded in the financial statements in connection with the legal actions brought against the Company as the Company's management believes that EDENOR 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. As of June 30, 2010 and December 31, 2009, 1,952,604 Class C shares, representing 0.22% of the Company's capital stock are outstanding (Notes 1 and 16.a).

**d) Absorption of unappropriated retained earnings:**

On April 7, 2010 the General Annual Meeting resolved that the income for the 2009 fiscal year be absorbed by the Unappropriated retained earnings account:

- Income for the 2009 fiscal year	90,643
- Legal Reserve (5% of the income for the year) (Note 24)	(4,532)
- Unappropriated retained earnings for the 2009 fiscal year	86,111

**17. REGULATORY FRAMEWORK**

**a) General**

The Company's business is regulated by Law No. 24,065, which created the National Regulatory Authority for the Distribution of Electricity (ENRE). In this connection, the Company is subject to the regulatory framework provided under the aforementioned Law and the regulations issued by the ENRE.

The ENRE is empowered to: a) approve and control tariffs, and b) control the quality of both the service and the technical product, as established in the Concession Agreement. Failure to comply with the provisions of such Agreement and the rules and regulations governing the Company's business will make the Company liable to penalties that may include the forfeiture of the concession.

As from September 1, 1996, there has been a change in the methods applied to control the quality of both the product and the service provided by the Company. Within this new framework, compensation between areas and circuits of different quality is not allowed, instead, the specific quality provided to individual customers, rather than an average customer value must be measured. As a result, fines will be credited to users affected by service deficiencies in future bills. Penalties are imposed in connection with the following major issues:

1. Deviation from quality levels of technical product, as measured by voltage levels and network variations;
2. Deviation from quality levels of technical service, as measured by the average interruption frequency per Kilovolt (KVA) and total interruption time per KVA;
3. Deviation from quality levels of commercial service, as measured by the number of claims and complaints made by customers, service connection times, the number of estimated bills and billing mistakes;
4. Failure to comply with information gathering and processing requirements so as to evaluate the quality of both the technical product and the technical service;
5. Failure to comply with public safety regulations.

As of June 30, 2010 and December 31, 2009, the Company has accrued penalties for resolutions not yet issued by the ENRE corresponding to the six-month control periods elapsed over those dates. The Company has applied the adjustment contemplated in the temporary tariff regime (caption b item vii) and the adjustments established by the electricity rate schedules applied during the 2008 fiscal year, Resolutions Nos. 324/2008 and 628/2008 (Note 17.b).

As of June 30, 2010 and December 31, 2009, liabilities for penalties amounting to 402,354 and 377,456, respectively, have been included in other non-current liabilities (Note 10).

In addition, as of June 30, 2010, 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.

Moreover, on July 12, 2006 the National Energy Secretariat issued Resolution No. 942/2006 which modifies the allocation of any excess funds resulting from the difference between surcharges billed and discounts made to customers, deriving from the implementation of the Program for the Rational Use of Electric Power (PUREE), which provides for the application of both tariff incentives and penalties aimed at encouraging customers to reduce consumption. As from July 1, 2006, such excess funds may be applied against the amounts receivable that the Company maintains in the Trade receivables account as Unbilled –National Fund of Electricity, for “Quarterly Adjustment Coefficient of the National Fund of Electricity” (section 1 of Law No. 25,957) for 3,515 and 2,840 as of June 30, 2010 and December 31, 2009, respectively (Note 4). On August 10, 2006 the ENRE issued Resolution No. 597/2006 which regulates the aforementioned Resolution No. 942/2006 of the National Energy Secretariat and establishes the compensation mechanism to be used.

On October 4, 2007 the *Official Gazette* published Resolution No. 1037/2007 of the National Energy Secretariat. Said resolution establishes that the amounts paid by the Company for the Quarterly Adjustment Coefficient (CAT) implemented by Section 1 of Law No. 25,957, as well as the amounts corresponding to the Cost Monitoring Mechanism (MMC) for the period May 2006 through April 2007 (Note 17.b items b and c) be deducted from the funds resulting from the difference between surcharges billed and discounts made to customers, resulting from the implementation of the Program for the Rational Use of Electric Power (PUREE), until their transfer to the tariff is granted by the regulatory authority. The resolution also establishes that the MMC adjustment for the period May 2006 through April 2007, applicable as from May 1, 2007, amounts to 9.63 %.

Additionally, on October 25, 2007 the ENRE issued Resolution No. 710/2007 which approves the MMC compensation mechanism established in the aforementioned Resolution No. 1037/2007 of the National Energy Secretariat.

The amounts corresponding to the Cost Monitoring Mechanism (MMC) for the period May 2006 through April 2007 as well as those corresponding to the period May 2007 through October 2007 were transferred to the tariff as from July 1, 2008, in accordance with the provisions of Resolution No. 324/2008 (Note 17.b).

By Note No. 1383 dated November 26, 2008 of the National Energy Secretariat, the ENRE was instructed to consider the earmarking of the funds deriving from the application of the Cost Monitoring Mechanism (MMC) corresponding to the period May 2007 through October 2007 whose recognition was pending, and to allow that such funds be deducted from the excess funds deriving from the application of the Program for the Rational Use of Electric Power (PUREE), in accordance with the provisions of Resolution No. 1037/2007 of the National Energy Secretariat. The MMC adjustment for the period May 2007 through October 2007, applicable as from November 1, 2007, amounts to 7.56 %.

Additionally, as of June 30, 2010, the Company has submitted to the National Regulatory Authority for the Distribution of Electricity the MMC adjustment requests, in accordance with the following detail:

<b>Assessment Period</b>	<b>Application Date</b>	<b>MMC Adjustment</b>
November 2007 - April 2008	May 2008	5.791%
May 2008 – October 2008	November 2008	5.684%
November 2008 - April 2009	May 2009	5.068%
May 2009 – October 2009	November 2009	5.041%
November 2009 – April 2010	May 2010	7.103%

As of the date of issuance of these financial statements, the approval of the aforementioned adjustments by the National Regulatory Authority for the Distribution of Electricity is still pending.

In addition, as of June 30, 2010 and December 31, 2009 liabilities generated by the excess funds deriving from the application of the Program for the Rational Use of Electric Power (PUREE), amount to 369,065 and 233,319 respectively (Note 10) and have been disclosed in other non-current liabilities. The increase in liabilities is due to the fact that the Company was allowed to keep such funds in order to cover the MMC (Cost Monitoring Mechanism) increases not transferred to the tariff.

#### **b) Concession**

The term of the concession is 95 years and may be extended for an additional maximum period of 10 years. The term of the concession is divided into management periods: a first period of 15 years and subsequent periods of 10 years. At the end of each management period, the Class “A” shares representing 51% of EDENOR’s capital stock, currently held by EASA, must be offered for sale through a public bidding. If EASA makes the highest bid, it will continue to own 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 must pay EASA the amount of the bid in accordance with the conditions of the public bidding. The proceeds from the sale of Class “A” shares will be delivered to EASA after deducting any amounts receivable to which the Grantor of the concession may be entitled.

In accordance with the provisions of the Concession Agreement, the Company shall take the necessary measures to guarantee the supply and availability of electricity so as to meet demand in due time and in accordance with stipulated quality levels, for which purpose the Company shall be required to guarantee sources of supply.

For such purpose, 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 Electric Power Wholesale Market (MEM), thus being obliged to supply all the electric power that may be required. In addition, the Company shall 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 denominated in US dollars or any other foreign currencies, indexation clauses based on price indexes from other countries, 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 requirements into account.

In accordance with the provisions of Laws Nos. 25,972, 26,077, 26,204, 26,339, 26,456 and 26,563 both the declaration of economic emergency and the period to renegotiate public utility contracts were extended through December 31, 2005, 2006, 2007, 2008, 2009 and 2011, respectively.

As a part of the renegotiation process, the Unit of Renegotiation and Analysis of Public Utility Contracts (UNIREN) proposed the signing of an Adjustment Agreement that would be the basis of a comprehensive renegotiation agreement of the Concession Agreement. The Company satisfied the regulatory agency's requirements; provided an answer to the proposal and attended the public hearing convened for such purpose, rejecting in principle the proposal on the grounds that it did not properly address the need to redefine the terms of the agreement as contemplated by the law. Nevertheless, the Company ratified its willingness to reach an understanding that would restore the financial and economic equation of the concession agreement. On September 21, 2005, the Company signed the Adjustment Agreement within the framework of the process of renegotiation of the Concession Agreement set forth in Law No. 25,561 and supplementary regulations. Due to the appointment of a new Economy and Production Minister, on February 13, 2006 a new copy of the Adjustment Agreement was signed under the same terms as those stipulated in the agreement signed on September 21, 2005.

The Adjustment Agreement establishes the following:

- i) the implementation of a Temporary Tariff Regime (RTT) effective as from November 1, 2005, including a 23% average increase in the distribution margin, which may not result in an increase in the average tariff of more than 15%, and an additional 5% average increase in the value added distribution (VAD), allocated to certain specified capital expenditures;
- ii) the requirement that during the term of said temporary tariff regime, dividend payment be subject to the approval of the regulatory authority;
- iii) the establishment of a "social tariff" for the needy and the levels of quality of the service to be rendered;
- iv) the suspension of the claims and legal actions filed by the Company and its shareholders in national or foreign courts due to the effects caused by the Economic Emergency Law;
- v) the carrying out of a Revision of the Company Tariff Structure (RTI) which will result in a new tariff regime that will go into effect on a gradual basis and remain in effect for the following 5 years. In accordance with the provisions of Law No. 24,065, the National Regulatory Authority for the Distribution of Electricity will be in charge of such review;
- vi) the implementation of a minimum investment plan in the electric network for an amount of 178.8 million to be fulfilled by EDENOR during 2006, plus an additional investment of 25.5 million should it be required (item f below);
- vii) the adjustment of the penalties imposed by the ENRE that are payable to customers as discounts, which were notified by such regulatory agency prior to January 6, 2002 as well as of those that have been notified, or whose cause or origin has arisen in the period between January 6, 2002 and the date on which the Adjustment Agreement goes into effect;
- viii) the waiver of the penalties imposed by the ENRE that are payable to the Argentine State, which have been notified, or their cause or origin has arisen in the period between January 6, 2002 and the date on which the Adjustment Agreement goes into effect;
- ix) the payment term of the penalties imposed by the ENRE, which are described in item vii above, is 180 days after the approval of the Revision of the Company Tariff Structure (RTI) in fourteen semiannual installments, which represent approximately two-thirds of the penalties imposed by the ENRE before January 6, 2002 as well as of those that have been notified, or whose cause or origin has arisen in the period between January 6, 2002 and the date on which the Adjustment Agreement goes into effect, subject to compliance with certain requirements.

Said agreement was ratified by the Federal Executive Power through Decree No. 1957/06, signed by the President of Argentina on December 28, 2006 and published in the *Official Gazette* on January 8, 2007. This agreement stipulates the terms and conditions that, upon compliance with the other procedures required by the regulations, will be the fundamental basis of the Comprehensive Renegotiation of the Concession Agreement of 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. 51/2007 of the ENRE which approves the electricity rate schedule resulting from the RTI applicable to consumption recorded as from February 1, 2007. This document provides for the following:

- a) A 23% average increase in distribution costs, service connection costs and service reconnection costs in effect which the Company collects as the holder of the concession of the public service of electric power distribution, except for the residential tariffs;
- b) Implementation of an additional 5% average increase in distribution costs, to be applied to the execution of the works and infrastructure plan detailed in Appendix II of the Adjustment Agreement. In this regard, the Company has set up the required fund, which as of June 30, 2010 amounts to 93.607. This amount is net of the amounts transferred to CAMMESA for 45,824;
- c) Implementation of the Cost Monitoring Mechanism (MMC) contemplated in Appendix I of the Adjustment Agreement, which for the six-month period beginning November 1, 2005 and ending 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;
- d) 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 (items i) and ii) above) and from May 1, 2006 through January 31, 2007 (item iii) above);
- e) Invoicing of the differences corresponding to deviations between foreseen physical transactions and those effectively carried out and of other concepts related to the Wholesale Electric Power Market (MEM), such as the Specific fee payable for the Expansion of the Network, Transportation and Others, included in Trade Receivables under Receivables from sales of electricity as Unbilled (Note 4);
- f) 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.

The Company has recorded the adjustment of the penalties described in the Adjustment Agreement for an amount of 17,162 as of December 31, 2008, which is equivalent to the tariff increases mentioned in the items above.

Revenues from the retroactive tariff increase deriving from the implementation of the new electricity rate schedule applicable to non-residential consumption for the period of November 2005 through January 31, 2007 have been fully recognized in the financial statements for the year ended December 31, 2007. Such amount, which totaled 218,591, is being invoiced in 55 equal and consecutive monthly installments, as described in item b) of paragraph d) of this note. As of June 30, 2010, the installments corresponding to the months of February 2007 through June 2010 for a total of 173,437 have already been billed.

On April 30, 2007, the *Official Gazette* published Resolution No. 434/2007 of the National Energy Secretariat which adjusts the time periods set forth in the Adjustment Agreement signed by the Company and the Grantor of the Concession and ratified by Decree No. 1957 of the Federal Government dated December 28, 2006.

In this regard, the aforementioned Resolution provides that the contractual transition period established in the Adjustment Agreement will be in effect from January 6, 2002 to the date on which the Revision of the Company Tariff Structure (RTI) established in the aforementioned Adjustment Agreement goes into effect.

Furthermore, the Resolution establishes that the new electricity rate schedule resulting from the RTI will go into effect on February 1, 2008. It also stipulates that, in the event that the tariff resulting from the RTI is higher than the tariff established in section 4 of the Adjustment Agreement, the transfer of the increase to the tariff will be made in accordance with the provisions of section 13.2 of the Adjustment Agreement,

which establish that the first adjustment will take effect as from February 1, 2008 and the second will take effect six months later, maintaining the percentages agreed upon in the Adjustment Agreement.

The aforementioned Resolution No. 434/2007 establishes that the Company must present an investment plan before May 1, 2007 (which has already been complied with), and that the obligations and commitments set forth in section 22 of the Adjustment Agreement be extended until the date on which the electricity rate schedule resulting from the RTI goes into effect, allowing the Company and its shareholders to resume the claims suspended as a consequence of the Adjustment Agreement if the new electricity rate schedule does not go into effect in the aforementioned time period.

Furthermore, 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 Revision of the Company Tariff Structure (RTI) goes into effect. Its original maturity would have taken place on August 31, 2007.

On July 30, 2008, the National Energy Secretariat issued Resolution No. 865/2008 which modifies Resolution No. 434/2007 and establishes that the electricity rate schedule resulting from the Revision of the Company Tariff Structure (RTI) will go into effect in February 2009.

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

With regard to the commencement of the Revision of the Tariff Structure, the ENRE has begun this process, and, on November 12, 2009, the Company submitted its revenue requirements proposal for the new period, which included the grounds and criteria based on which the request is made.

On September 19, 2007, the Energy Secretariat by Note No. 1006/07 requested that the Company comply with the provisions of Resolutions Nos. 1875 and 223/07 of the aforementioned Secretariat, dated December 5, 2005 and January 26, 2007, respectively.

In accordance with the aforementioned resolutions, the Company must transfer to CAMMESA, 61.96% of the total amount of the special fund set up in compliance with Clause 4.7 of the Adjustment Agreement, plus any interest accrued on the financial investments made by the Company with such funds. Such funds will be used for the execution of the works aimed at connecting Central Costanera and Central Puerto electricity generation plants with Malaver Substation.

On July 31, 2008, the National Regulatory Authority for the Distribution of Electricity issued Resolution No. 324/2008 which approves the values of the Company's electricity rate schedule that contemplates the partial application of the adjustments corresponding to the Cost Monitoring Mechanism (MMC) and their transfer to the tariff. The aforementioned electricity rate schedule increases the Company's value added distribution by 17.9% and has been applied to consumption recorded as from July 1, 2008.

Therefore, the increase in tariffs for final users has ranged from 0% to 30%, on average, depending on consumption.

Furthermore, on October 31, 2008, the National Energy Secretariat issued Resolution No. 1169/2008 which approved the new seasonal reference prices of power and energy in the Electric Power Wholesale Market (MEM).

Consequently, the ENRE issued Resolution No. 628/2008 which approves the values of the electricity rate schedule to be applied as from October 1, 2008.

The aforementioned electricity rate schedule includes the transfer of the increase in the seasonal energy price to tariffs, with the aim of reducing Federal Government grants to the electricity sector, without increasing the Company's value added distribution.

The National Ombudsman made a presentation against both the resolutions by which the new electricity rate schedule had gone into effect as from October 1, 2008 and the application of the Program for the Rational Use of Electric Power (PUREE).

Within the framework of the case, on January 27, 2009, the ENRE notified the Company of a prohibitory injunction issued by the Court hearing the case as a consequence of the Ombudsman's presentation, according to which the Company is prohibited from cutting power due to the nonpayment of bills issued with the rate hike resulting from the application of the resolutions questioned by the Ombudsman, until a final ruling is issued on the case. The precautionary measure has been appealed by the Company and the Argentine Federal Government. On September 1, 2009, Court Room V of the National Appellate Court in Federal Administrative Matters confirmed the first instance decision, thus maintaining in effect the prohibitory injunction granted by the court of original jurisdiction. The Company filed an "Extraordinary appeal" against this decision, which was also rejected by the appellate court hearing the case. As a final recourse, on December 7, 2009, the Company filed an appeal ("*Queja por Recurso denegado*") to the Federal Supreme Court requesting that the extraordinary appeal rejected by the Appellate Court be sustained. The appeal ("*Queja por Recurso denegado*") is currently being analyzed by the Supreme Court. On July 1, 2009, notice of the proceedings in the matter of "National Ombudsman vs. Federal Government – Resolution No. 1169 and Others, proceeding for the determination of a claim" was served upon the Company, which the Company answered in due time and manner. On November 27, 2009, and within the framework of this case, the Court hearing the case decided to reject that a summons be served upon the firm CAMMESA as a third-party defendant that had been requested by the Company and EDELAP S.A. The Company, considering that said decision causes an irreparable harm filed in due time an appeal, which, as of the date of issuance of these financial statements, has not yet been granted.

On August 10, 2009, the National Regulatory Authority for the Distribution of Electricity issued Disposition No. 55/2009, which established a period for the review and analysis of both the application of Resolution No. 628/2008 of the ENRE –exceptions to the application of the electricity rate schedule- and the effects deriving from the implementation thereof. This review and analysis process consisted of the verification in situ in the three Electricity Distribution Companies of the correct application of the rate schedule in effect to, and the effective implementation of exceptions granted for, consumption recorded from May 2009 to the date of issuance of the aforementioned disposition, in the case of small-demand residential customers whose consumption exceeded 1,000 kWh bimonthly and/or 500 kWh per month.

Furthermore, it was determined that during the period comprehended by the aforementioned process, Electricity Distribution Companies should not send bills corresponding to such period in those cases in which consumption exceeded 1,000 kWh bimonthly and/or 500 kWh per month.

On August 14, 2009, the Energy Secretariat issued Resolution No. 652/09 which ordered the suspension of the reference market prices of energy set forth in sections 6, 7 and 8 of Resolution No. 1169/08 of that Secretariat, and established new values for the periods June-July 2009 and August-September 2009, reinstating partial government grants to the electricity generation sector. Furthermore, the resolution also established the unsubsidized reference market prices of energy for the months of June and July 2009 and the quarter August-October 2009.

Consequently, on August 18, 2009, the Company was notified of Resolution No. 433/2009 of the ENRE, which approved the values of the Electricity Rate Schedules applicable to consumption recorded from midnight June 1, 2009, and midnight August 1, 2009. Additionally, the resolution also approved the values of the Electricity Rate Schedule with unsubsidized -full- tariffs applicable to consumption recorded from midnight June 1, 2009, in accordance with the provisions of section 7 of Resolution No. 652/2009 of the Energy Secretariat.

The aforementioned resolution instructed Electricity Distribution Companies to issue new bills to those customers whose situation fell within the scope of the resolution, following the provisions of Resolution No. 628/2008 of the ENRE, this time applying the Electricity Rate Schedules approved in Resolution No. 433/09. In the case of bills that had already been paid, Electricity Distribution Companies were required to credit the corresponding adjustment against the amount payable in the next billing period.

Additionally, Electricity Distribution Companies were instructed to break down the variable charge in all the bills issued to customers into two concepts: "Unsubsidized Variable Charge" –full tariff- and "Federal Government Grant" –its value is the difference between the value arising from the full rate schedule and the subsidized rate schedule-. Moreover, the surcharges billed due to the application of the Program for the Rational Use of Electric Power (PUREE) had to be recalculated.

On September 3, 2009, the Company was notified of Resolution No. 666/2009 of the Energy Secretariat, which approved the winter quarterly rescheduling for the MEM for the period August 1, 2009 - October 31, 2009.

On September 29, 2009, the Company was notified of Resolution No. 469/09 of the ENRE, whereby the National Regulatory Authority for the Distribution of Electricity approved the values of the electricity rate schedule, with unsubsidized full tariffs to be applied as indicated in section 7 of Resolution No. 652/09 of the Energy Secretariat. Furthermore, Electricity Distribution Companies were instructed to include in the bills to be issued to small demand residential and general-use customers the fixed charges of the Electricity Rate Schedule approved by Resolution No. 469/09 of the ENRE under the legend "Unsubsidized Fixed Charge".

Furthermore, by Resolution No. 347/2010, the National Energy Secretariat approved the winter scheduling for the Wholesale Electric Power Market (MEM) for the period May 1 – October 31, 2010. In the reasons supporting such resolution, the National Energy Secretariat also stated that it considered it necessary that the seasonal prices to be paid by the customers of distribution companies should take into account not only the situation existing in such seasonal period but also the payment capacity of the different social classes included in the residential category of the electricity rate schedules of the referred to distribution companies. Therefore, considering the level of electricity consumption during winter and with the aim of not negatively affecting user payment capacity, the National Energy Secretariat resolved to suspend the application of sections 6, 7, and 8 of its Resolution No. 1169/2008 from June 1, 2010 to September 30, 2010. It must be pointed out that this situation had already been contemplated by the National Energy Secretariat in 2009 in its Resolution No. 652/2009, which gave rise to the issuance of Resolution No. 433/2009 of the ENRE.

As a consequence of the aforementioned Resolution No. 347/2010 of the Energy Secretariat, on May 21, 2010 the Company was notified of Resolution No. 294/2010 of the ENRE, which approved the values of the Company's Electricity Rate Schedule included in Appendix I of such Regulatory Authority's Resolution No. 433/2009, applicable to consumption recorded from midnight June 1, 2010.

Furthermore, on July 23, 2010, the Company was notified of Resolution No. 421/2010 of the ENRE, which approved the values of the Company's Electricity Rate Schedule included in Appendix IV of such Regulatory Authority's Resolution No. 433/2009, applicable to consumption recorded from midnight August 1, 2010

On October 26, 2009, notice of the complaint "CONSUMIDORES LIBRES COOP. LTADA. DE PROVISIÓN DE SERVICIOS DE ACCIÓN COMUNITARIA VS Federal Government – National Energy Secretariat – ENRE, proceedings for the determination of a claim" was served upon the Company. The complaint was filed by two consumer associations: CONSUMIDORES LIBRES COOP. LTADA. DE PROVISIÓN DE SERVICIOS DE ACCIÓN COMUNITARIA and the UNIÓN DE USUARIOS Y CONSUMIDORES against the Federal Government, the ENRE, EDESUR, EDELAP and EDENOR, and is pending in the National Court of Original Jurisdiction in Federal Administrative Matters Number 8, in charge of Justice Ms. Liliana Heiland, attorney-at-law (deputy). In accordance with the terms of the complaint, the associations for the defense of consumer rights, ADDUC and UNIÓN DE USUARIOS Y CONSUMIDORES EN DEFENSA DE SUS DERECHOS, have joined the complaint.

The remedies sought in the complaint are as follow:

- a) That all the last resolutions concerning electricity rates issued by the National Regulatory Authority for the Distribution of Electricity and the National Energy Secretariat be declared null and unconstitutional, and, in consequence whereof, that the amounts billed by virtue of these resolutions be refunded.
- b) That all the defendants be under the obligation to carry out the Revision of the Tariff Structure (RTI).
- c) That the resolutions issued by the Energy Secretariat that extend the transition period of the Adjustment Agreement be declared null and unconstitutional.
- d) That the defendants be ordered to carry out the sale process, through an international public bidding, of the class "A" shares, due to the fact that the Management Period of the Concession Agreement is considered over.

e) That the resolutions as well as any act performed by a governmental authority that modify contractual renegotiations be declared null and unconstitutional.

f) That the resolutions that extend the management periods contemplated in the Concession Agreement be declared null and unconstitutional.

g) Subsidiarily, should the main claim be rejected, that the defendants be ordered to bill all customers on a bimonthly basis.

Additionally, it is requested that a precautionary measure be issued with the aim of suspending the rate hikes established in the resolutions being questioned by the plaintiff. Subsidiarily, it is requested that the application of the referred to resolutions be partially suspended. Finally, it is also subsidiarily requested by the plaintiff that the application authority be ordered not to issue new increases other than within the framework of the Revision of the Tariff Structure process. As of to date, the Court has neither granted nor rejected that which has been requested. With regard to the subject matter of the action, it has been answered by the Company within the contemplated legal time period and in due manner.

With reference to that which has been previously mentioned, the objected to rate increases, with the exception of the one granted by Resolution No. 324/08 of the ENRE, do not have a direct impact on the value added distribution, inasmuch as they are the result of the transfer to the tariff of the higher generation costs ordered by the Grantor of the Concession. These generation increases are effective for the Company within the pass-through mechanism in the tariff.

On February 11, 2010 the Court hearing the case decided to turn into ordinary the proceeding that had been brought as an extraordinary summary proceeding, thus extending the time periods involved in the process. With regard to the provisional relief sought, on that date, the court ordered the carrying out of actions to add and clarify existing evidence, prior to taking any decision thereon.

Within the contemplated legal time period, the Company answered the complaint rejecting all its terms and requesting that a summons be served upon CAMMESA as a third-party defendant. The remaining co-defendants, except for the Federal Government, have already answered the notice of the complaint served upon them.

Furthermore, on March 31, 2010, notice of the complaint “CONSUMIDORES FINANCIEROS ASOCIACIÓN CIVIL PARA SU DEFENSA vs. EDENOR S.A – EDESUR S.A for BREACH OF CONTRACT” – National Court of Original Jurisdiction in Federal Administrative Matters No. 2 – Clerk’s Office No. 15, was served upon the Company.

The remedies sought in the complaint are as follow:

- 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.
- 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.
- 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.

On April 22, 2010, the Company answered the complaint and filed a motion to dismiss for lack of standing (“*excepción de falta de legitimación*”), requesting, at such opportunity, that a summons be served upon the Federal Government, the Argentine tax authorities (“AFIP”) and the ENRE as third-party defendants. These pleadings were made available to the plaintiff. Having this procedural step been complied with, as from June 16, 2010 the proceedings are yet to be resolved.

With regard to the commencement of the Revision of the Tariff Structure, the ENRE has begun this process, and, on November 12, 2009, the Company submitted its revenue requirements proposal for the new period, which included the grounds and criteria based on which the request is made.

By Note No. 91,241, notified to the Company on December 18, 2009, the ENRE requested that the Company submit the technical rate schedules resulting from the preparation of its proposal, which as of the date of issuance of these financial statements have not yet been submitted.

In accordance with the provisions of Resolution No. 467/2007 of the ENRE, the commencement of the process for the sale of the shares must take place when the five-year tariff period beginning after the ending of the RTI comes to an end. Additionally, the controlling shareholder -Electricidad Argentina S.A. - is authorized to present as bidder in the referred to process and if its offer is selected as the winning bid, the controlling company will not have to make any disbursement whatsoever to keep the control of Edenor.

### **c) 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 gratuitous bailment 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 4,681 on September 25, 2009.

The form of payment stipulated in the aforementioned agreement establishes an advance payment of 1,170, which the Company made on September 25, 2009, and 48 installments of 104 for the remaining balance of 3,511. The installments include compensatory interest of 18.5% per annum under the French system, and are payable as from October 2009

As of June 30, 2010, principal owed for this concept amounts to 3,033, which has been recorded in Trade accounts payable under Other (Note 6).

As of the date of issuance of these financial statements, the Company has acquired for an amount of 12,765, nine of these properties whose gratuitous bailment contracts had expired. The title deeds of eight of these properties have been executed at a price of 12,375. As for the remaining property, a down payment of 117 has been made while the outstanding amount of 273 will be payable upon the execution of the title deed on a date to be set by the Ministry of Economy.

## **18. CASH FLOW INFORMATION**

### **a) Cash and cash equivalents:**

For the preparation of the Statement of Cash Flows, the Company considers as cash equivalents all highly liquid investments with original maturities of three months or less.

	<u>As of June 30, 2010</u>	<u>As of December 31, 2009</u>	<u>As of June 30, 2009</u>
Cash and Banks	7,789	8,685	7,913
Time deposits	4,391	27,191	5,040
Money market funds	60,729	80,055	94,934
Corporate notes	208,954	112,441	0

Government bonds	15,990	0	123,966
Municipal bonds	0	0	698
Total cash and cash equivalents in the Statement of Cash Flows	<u>297,853</u>	<u>228,372</u>	<u>232,551</u>

**b) Interest paid and collected:**

	For the six-month periods ended June 30,	
	<u>2010</u>	<u>2009</u>
Interest paid during the period	(42,006)	(48,883)
Interest collected during the period	11,485	13,115

**19. INSURANCE COVERAGE**

As of June 30, 2010, the Company carries the following insurance policies for purposes of safeguarding its assets and commercial operations:

<u>Risk covered</u>		<u>Amount insured</u>
Comprehensive (1)	US\$	568,800,977
Mandatory life insurance	\$	32,952,000
Additional life insurance	\$	64,625,540
Funeral and burial insurance	\$	54,920,000
Theft of securities	US\$	100,000
Vehicles (theft, third-party liability and damages)	\$	16,334,585
Land freight	US\$	2,000,000
Imports freight	\$	2,250,000

(1) Includes: fire, partial theft, tornado, hurricane, earthquake, earth tremors, flooding and debris removal from facilities on facilities providing actual service, except for high, medium and low voltage networks.

**20. CLAIM OF THE PROVINCE OF BUENOS AIRES BOARD OF ELECTRIC POWER**

On December 1, 2003, the Board of Electric Power of the Province of Buenos Aires (Board) filed a claim against EDENOR in the amount of 284,364 that includes surcharges and interest as of the date of the claim, and imposed penalties for an amount of 25,963, due to the Company's alleged failure to act as collecting agent of certain taxes established by Decrees-law Nos. 7290/67 and 9038/78 from July 1997 through June 2001.

On December 23, 2003, the Company appealed the Board's decision with the Tax Court of the Province of Buenos Aires, which had the effect of temporarily suspending the Company's obligation to pay. Such appeals were filed on the grounds that the Federal Supreme Court had declared that the regulations established by the aforementioned Decrees-law were unconstitutional, as they were incompatible with the Province of Buenos Aires' commitment not to levy any taxes on the transfer of electricity.

On March 20, 2007, the Board of Electric Power of the Province of Buenos Aires amended the original complaint to include an additional claim in the amount of 7,720 that includes surcharges and interest as of the date of the claim for the period of July 2001 through June 2002, extending the claim to certain Company Directors.

On June 27, 2007, the Tax Court of the Province of Buenos Aires pronounced in favor of the appeal duly lodged by the Company, thus becoming final.



At the same time, on June 23, 2005, a petition for a declaratory judgment proceeding was filed with the Secretariat of Original Lawsuits of the Federal Supreme Court, so that the maximum authority clarify the condition of uncertainty generated by the provincial tax authorities' insistence on not honoring the commitment assumed by the Province in the Federal Pact, and their avoidance of the Federal Supreme Court's decisions. The aforementioned proceeding is still pending on the Federal Supreme Court.

Therefore, no accrual has been recorded for these claims as the Company's management, based on both the aforementioned pronouncement and the opinion of its legal advisors, believes that there exist solid arguments to support its position.

## **21. LEGAL ACTION FOR ALLEGED ENVIRONMENTAL POLLUTION**

On May 24, 2005, three of EDENOR's employees were indicted on charges of polychlorinated biphenyl (PCB)-related environmental contamination. In connection with this alleged violation, the judge issued an order of attachment on the Company's assets in the amount of 150 million pesos to cover the potential cost of damage repair, environmental restoration and court costs. On May 30, 2005, the Company filed appeals against both the charges brought against its employees and the attachment order. On December 15, 2005, the Federal Court of Appeals of San Martín dismissed the charges against all three defendants and, accordingly, revoked the attachment order against the Company's assets. The decision of the Court of Appeals was based on the fact that the existence of environmental pollution could not be proved, and, in consequence whereof, established that the Trial Judge should order the acquittal of two ENRE public officers who had been indicted on related charges. An appeal against this decision was filed in the Tribunal de Casación (the highest appellate body for this matter), which on April 5, 2006 ruled that the appeal was not admissible.

On July 16, 2007, the Company was notified that on July 11, 2007 the Trial Judge ruled the definitive acquittal of all Company officials and employees that had been indicted in the case, thus ordering the closing of the case. This decision could be appealed.

After the filing of an appeal, on March 25, 2008, the Federal Court of Appeals of San Martín confirmed the decision rendered by the court of original jurisdiction that had ordered the acquittal of Messrs. Daniel José Lello, Luciano Pironio, Julio Adalberto Márquez, Francisco Ponasso, Henri Lafontaine, Henri Marcel Roger Ducre and Christian Rolland Nadal, as well as the acquittal of ENRE officers, Mr. Juan Antonio Legisa and Ms. María Cristina Massei.

In its decision, the appellate court, quoting the "Chazarreta" judgment as case law, stated that the right to defense at trial pursuant to due process, guaranteed by the Constitution, included the right to obtain a judgment that would put an end to the situation of uncertainty that implied criminal prosecution. Furthermore, the appellate court's decision also stated that if the Prosecutor, after a thorough investigation, was unable to transfer the presumption of guilt to the degree of certainty required for a declaration of criminal liability, the status of innocence should prevail.

Based on the foregoing, and considering that the preliminary investigation phase had ended, the Federal Court of Appeals ordered the confirmation of the aforementioned resolution.

It is worth mentioning that the dismissal ordered by the judge of original jurisdiction was appealed by the Prosecutor, who cited the possible dismissal of criminal action for being beyond the statute of limitations, as a grievance, among other possibilities, caused by the decision of the court.

However, after the filing of the corresponding legal briefs by the Company, the appellate court confirmed the decision of the court of original jurisdiction based on the aforementioned resolution of the Appellate Court, according to which the existence of PCB-related environmental pollution had not been proven.

The decision, whose reversal was requested by the Prosecutor's Office through an extraordinary appeal within the period of 10 days as from notice thereof had been served, was confirmed by the Federal Court of Appeals of San Martín, which rejected the Prosecuting attorney's appeal.

The Prosecutor's Office filed an appeal ("*Recurso de Queja*") to the *Tribunal de Casación* requesting that the appeal dismissed by the Federal Court of Appeals of San Martín be sustained. The *Tribunal de*

*Casación* rejected the appeal as well. The resolution in question was notified to the Prosecutor's Office on December 29, 2008. Within the contemplated legal time period, the Prosecutor's Office filed with such *Tribunal* an "Extraordinary appeal". The defense has duly answered the notice served. On May 27, 2009, the *Tribunal* "dismissed the extraordinary appeal filed by the Prosecutor's Office" on the grounds that it failed to specifically and reasonably refute the arguments that supported the resolution being appealed, and proved neither the alleged arbitrariness nor the violation of constitutional guaranties. The Prosecutor's Office filed an appeal ("*Recurso de Queja*") to the Federal Supreme Court requesting that the appeal dismissed by the *Tribunal de Casación* be sustained. On May 26, 2010, the Supreme Court expressly dismissed the appeal. It is worth mentioning that this decision is final and conclusive, accordingly, as soon as notice thereof has been given to all the parties involved, the proceedings will be sent to the court of original jurisdiction (Federal Court of Campana – Criminal Proceedings) for their filing.

## **22. DISCRETIONARY TRUST AGREEMENT**

On September 30, 2008, the Company and Macro Bank Limited entered into an irrevocable and discretionary trust agreement.

Through the establishment of the trust, which was approved by the Board of Directors on September 29, 2008 and duly informed to control authorities, the Company assigns the management of certain liquid assets for an initial amount of up to US\$ 24,000,000, which are to be used in the future in accordance with the terms of the trust.

The assignment of liquid assets for an amount of US\$ 23,922,000 was carried out on October 2, 2008.

Furthermore, on November 3 and 11, 2008, the Company carried out an additional assignment of liquid assets for US\$ 2,000,000 and US\$ 1,000,000, respectively.

On September 3, 2009, the discretionary trust was dissolved and the trust property was liquidated and transferred to the Company.

As of June 30, 2009, the results generated by this transaction have been disclosed in the Financial income (expense) and holding gains (losses) generated by assets account of the Statement of Income under Holding results.

## **23. DERIVATIVE FINANCIAL INSTRUMENTS**

### **a) Corporate Notes**

During the year ended December 31, 2008, the Company carried out transactions with derivative financial instruments with the aim of hedging the foreign currency exchange rate of the cash flows and derivatives of interest payment transactions.

These instruments provided an economic and financial hedge of the amounts in foreign currency that the Company had to pay on the interest payment dates of its financial debt –Class A and B Fixed Rate Par Notes and Class 7 Notes (Note 14)-, maturing on October 8, 2008, December 11, 2008, April 8, 2009, June 12, 2009, October 8, 2009 and December 11, 2009, in the event of fluctuations in foreign currency exchange rates. The Company has not formally designated these transactions as hedging instruments. Therefore, they have been recorded in the accounting in accordance with the provisions of Technical Resolution No. 18 of the Argentine Federation of Professional Councils in Economic Sciences (FACPCE), which requires that derivative instruments not designated as effective hedging instruments be recorded at their net realizable value or settlement value, depending on whether they have been classified as assets or liabilities, with a contra-account in the financial gains or losses for the period.

As of June 30, 2010 and December 31, 2009, these transactions have been fully settled, there being no outstanding balances.

## b) Forward and Futures Contracts

As of June 30, 2010, the Company has entered into forward and futures contracts with the aim of using them as economic instruments in order to mitigate the risk generated by the fluctuations in the US dollar rate of exchange.

As of June 30, 2010 and December 31, 2009, the Company has contracts with Standard Bank Argentina S.A. and Banco Finansur S.A., the main features of which are as follow:

Entity	Contracted amount in thousands of US\$		Average rate of exchange	Transaction date	Settlement date	Book value Assets (Liabilities) Note 7 (in thousands of pesos)	
	06/30/2010	12/31/2009				06/30/2010	12/31/2009
Banco Finansur	0	9,000	4.1645	07/27/2009	04/30/2010	0	(1,814)
Banco Finansur	1,000	1,000	4.2420	07/27/2009	06/30/2010	(310)	(202)
Standard Bank	12,000	12,000	4.4475	09/30/2009	12/31/2010	(3,210)	(1,338)
Banco Finansur	0	33,000	4.2400	09/30/2009	10/31/2010	0	(1,532)
Standard Bank	10,000	10,000	4.4475	10/01/2009	12/31/2010	(2,675)	(1,115)
Standard Bank	22,000	0	4.2735	01/22/2010	12/31/2010	(2,057)	0
Standard Bank	<u>11,000</u>	<u>0</u>	4.2700	01/25/2010	12/31/2010	<u>(990)</u>	<u>0</u>
	<u>56,000</u>	<u>65,000</u>				<u>(9,242)</u>	<u>(6,001)</u>

As of June 30, 2010 and December 31, 2009, the economic impact of these transactions -including contracts that have already been settled as well as those currently in effect-, resulted in losses of 9,608 and 12,266, respectively that have been recorded in the Financial income (expense) and holding gains (losses) generated by assets account of the Statement of Income under Holding results.

Additionally, in the case of the futures contracts entered into with Banco Finansur S.A., as of June 30, 2010 the Company has provided initial margins for a total of 659 which have been disclosed in the "Other receivables" account (Note 5).

## 24. RESTRICTIONS ON THE DISTRIBUTION OF EARNINGS

In accordance with the provisions of Law No. 19,550, 5% of the net income for the year must be appropriated to the legal reserve, until such reserve equals 20% of capital stock. The Ordinary Shareholders' Meeting held on April 7, 2010 appropriated 4,532 of Unappropriated Retained Earnings as of December 31, 2009 to the aforementioned legal reserve (Note 16.d).

Moreover, 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 as of 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. For income tax purposes, accumulated taxable income shall be the unappropriated retained earnings as of the end of the year immediately preceding the date on which the above-mentioned law went into effect, less dividends paid plus the taxable income determined as from such year and dividends or income from related companies in Argentina.

Since the restructuring of the Company's financial debt referred to in Note 14, the Company was not allowed to distribute dividends until April 24, 2008 or until such time when the Company's leverage ratio

were lower than 2.5, whichever occurred first. As from this time, distribution of dividends may only be allowed under certain circumstances depending on the Company's indebtedness ratio.

Certain restrictions on the distribution of dividends by the Company and the need for approval by the ENRE for any distribution have been disclosed in Note 17.b).

**25. BREAKDOWN OF TEMPORARY INVESTMENTS, RECEIVABLES AND LIABILITIES BY COLLECTION AND PAYMENT TERMS**

As required by the CNV's regulations, the balances of the accounts below as of June 30, 2010, are as follow:

<u>Term</u>	<u>Investments</u>	<u>Receivables</u> (1)	<u>Financial Debt</u> <u>(Loans)</u>	<u>Other payables</u> (2)
<u>With no explicit due date</u>	0	45,531	0	771,419
<u>With due date</u>				
Past due:				
Up to three months	0	76,593	0	0
From three to six months	0	20,156	0	0
From six to nine months	0	10,456	0	0
From nine to twelve months	0	16,359	0	0
Over one year	<u>0</u>	<u>34,844</u>	<u>0</u>	<u>0</u>
Total past due	<u>0</u>	<u>158,408</u>	<u>0</u>	<u>0</u>
To become due:				
Up to three months	290,064	288,672	30,446	551,775
From three to six months	0	11,512	23,087	13,552
From six to nine months	0	11,212	5,821	13,566
From nine to twelve months	0	11,162	9,677	25,691
Over one year	<u>0</u>	<u>105,986</u>	<u>716,659</u>	<u>104,980</u>
Total to become due	<u>290,064</u>	<u>428,544</u>	<u>785,690</u>	<u>709,564</u>
Total with due date	<u>290,064</u>	<u>586,952</u>	<u>785,690</u>	<u>709,564</u>
Total	<u>290,064</u>	<u>632,483</u>	<u>785,690</u>	<u>1,480,983</u>

(1) Excludes allowances

(2) Comprises total liabilities except accrued litigation and financial debts.

The financial debt mentioned in Note 14 accrues interest at floating and fixed rates, which amount to approximately 10.59%, on average; only 15.76% of the debt accrues interest at a floating rate whereas the remaining accrues interest at a fixed rate.

**26. SUBSEQUENT EVENTS**

**Repurchase of Corporate Notes**

From July 1, 2010 until the date of issuance of these financial statements, the Company has partially

repurchased at market prices “par notes” due in 2016, for a nominal value of US\$ 7,270 thousand (Note 14).

**27. FINANCIAL STATEMENTS TRANSLATION INTO ENGLISH LANGUAGE**

These financial statements are the English translation of those originally prepared by the Company in Spanish and presented in accordance with accounting principles generally accepted in Argentina. The effects of the differences between the accounting principles generally accepted in Argentina and the accounting principles generally accepted in the countries in which the financial statements are to be used have not been quantified. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operation, shareholder’s equity or cash flows in accordance with accounting principles generally accepted in the countries of users of the financial statements, other than Argentina.

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR S.A.)**

**BALANCE SHEETS AS OF JUNE 30, 2010 AND DECEMBER 31, 2009**

**PROPERTY, PLANT AND EQUIPMENT**

(stated in thousands of pesos)

MAIN ACCOUNT	Original value					Depreciation		
	At beginning of year	Additions	Retirements	Transfers	At end of period	At beginning of year	Retirements	For the period
<b>FACILITIES IN SERVICE</b>								
Substations	1,027,225	0	0	27,845	1,055,070	362,172	0	1
High voltage networks	462,272	0	0	1,680	463,952	156,557	0	
Medium voltage networks	881,843	0	(67)	18,681	900,457	348,568	(66)	1
Low voltage networks	1,771,311	0	(871)	24,473	1,794,913	1,032,580	(495)	2
Transformation chambers and platforms	615,038	0	(387)	23,122	637,773	224,852	(177)	
Meters	679,812	0	0	34,073	713,885	285,626	0	1
Buildings	96,374	0	0	2,228	98,602	23,152	0	
Communications network and facilities	96,315	0	0	1,924	98,239	61,477	0	
Total facilities in service	5,630,190	0	(1,325)	134,026	5,762,891	2,494,984	(738)	8
<b>FURNITURE, TOOLS AND EQUIPMENT</b>								
Furniture, equipment and software projects	191,338	1,983	(37)	0	193,284	177,755	(37)	
Tools and other	46,878	167	0	0	47,045	43,896	0	
Transportation equipment	23,837	21	(113)	0	23,745	14,874	(96)	
Total furniture, tools and equipment	262,053	2,171	(150)	0	264,074	236,525	(133)	
Total assets subject to depreciation	5,892,243	2,171	(1,475)	134,026	6,026,965	2,731,509	(871)	8
<b>CONSTRUCTION IN PROCESS</b>								
Transmission	157,329	62,674	0	(29,525)	190,478	0	0	
Distribution and other	164,323	128,268	0	(104,501)	188,090	0	0	
Total construction in process	321,652	190,942	0	(134,026)	378,568	0	0	
Total 2010	6,213,895	193,113	(1,475)	0	6,405,533	2,731,509	(871)	8
Total 2009	5,818,111	404,310	(8,526)	0	6,213,895	2,561,853	(5,763)	17

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR S.A.)**

**BALANCE SHEETS AS OF JUNE 30, 2010 AND DECEMBER 31, 2009**

**INVESTMENTS IN OTHER COMPANIES**

(stated in thousands of pesos)

Name and features of securities	Class	Face value	Number	Adjusted cost	Value on equity method	Net book value 2010	Main activity	Information	
								Last financial s	
								Date	Nominal Capital Stock
<b>NON-CURRENT INVESTMENTS</b>									
Section 33 Law No. 19,550 as amended -Companies-									
Related Company: SACME S.A.	common non-endorsable	\$ 1	6,000	15	403	403	Electric power services	06/30/2010	12
Total						403			

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR S.A.)****BALANCE SHEETS AS OF JUNE 30, 2010 AND DECEMBER 31, 2009****EXHIBIT D****OTHER INVESTMENTS**

(stated in thousands of pesos)

MAIN ACCOUNT	Net book value	
	2010	2009
<b>CURRENT INVESTMENTS</b>		
Time deposits . in foreign currency (Exhibit G)	4,391	27,191
Money market funds . in local currency	60,729	80,055
Corporate Notes (1) . in foreign currency (Exhibit G)	208,954	112,441
Government Bonds . in local currency (Exhibit G)	15,990	0
<b>Total Current Investments</b>	<b>290,064</b>	<b>219,687</b>
<b>Total Investments</b>	<b>290,064</b>	<b>219,687</b>

(1) Includes Corporate Notes of Transener S.A. for 22,637 as of June 30, 2010 (Note 15).



**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR S.A.)**

**BALANCE SHEETS AS OF JUNE 30, 2010 AND DECEMBER 31, 2009**

**EXHIBIT E**

**ALLOWANCES AND ACCRUALS**

(stated in thousands of pesos)

MAIN ACCOUNT	2010					2009	
	At beginning of year	Additions	Retirements	Recuperos (1)	Reclasificaciones	At end of period	At end year
<b>Deducted from current assets</b>							
For doubtful accounts	19,688	7,753	(2,769)	0	0	24,672	19,688
For other doubtful accounts	7,908	2,857	0	0	0	10,765	7,908
<b>Included in current liabilities</b>							
Accrued litigation	62,813	0	(2,597)	0	0	60,216	62,813
<b>Included in non-current liabilities</b>							
Accrued litigation	10,084	0	0	0	0	10,084	10,084

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR S.A.)**

**BALANCE SHEETS AS OF JUNE 30, 2010 AND DECEMBER 31, 2009**

**EXHIBIT G**

**FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES**

Account	2010			2009	
	Currency and amount (2)	Exchange rate (1)	Booked amount in thousands of pesos	Currency and amount (2)	Booked amount in thousands of pesos
<u>Current Assets</u>					
Cash and banks	US\$ 291,902	3.891	1,136	US\$ 292,212	1,099
	ECU 40,979	4.7688	195	ECU 42,394	229
Investments					
Time deposits	US\$ 1,128,488	3.891	4,391	US\$ 7,226,043	27,170
	ECU 0	4.7688	0	ECU 3,983	21
Corporate Notes	US\$ 53,701,765	3.891	208,954	US\$ 29,904,415	112,441
Other receivables					
Expenses advanced	US\$ 141,199	3.891	549	US\$ 118,878	447
Receivables from activities other than the main activity	US\$ 582,777	3.891	2,268	US\$ 363,665	1,367
Initial margins	US\$ 88,700	3.891	345	US\$ 6,090,200	22,899
Other	US\$ 810,423	3.891	3,153	US\$ 5,600	21
	ECU 277,788	4.7688	1,325	ECU 19,949	108
<b>Total Current Assets</b>			<b>222,316</b>		<b>165,802</b>
<b>Total Assets</b>			<b>222,316</b>		<b>165,802</b>
<u>Current Liabilities</u>					
Trade accounts payable	US\$ 6,249,311	3.931	24,566	US\$ 7,513,124	28,550
	ECU 254,013	4.8182	1,224	ECU 15,438	84
	CHF 0	3.6908	0	CHF 108,826	400
Loans					
Corporate Notes	US\$ 4,673,174	3.931	18,370	US\$ 3,682,978	13,996
Other liabilities					
Other	US\$ 896,218	3.931	3,523	US\$ 347,618	1,321
	ECU 0	4.8182	0	ECU 8,913	49
<b>Total Current Liabilities</b>			<b>47,683</b>		<b>44,400</b>
<u>Non-Current Liabilities</u>					
Loans					
Corporate Notes	US\$ 175,552,611	3.931	690,097	US\$ 176,633,106	671,206
<b>Total Non-Current Liabilities</b>			<b>690,097</b>		<b>671,206</b>
<b>Total Liabilities</b>			<b>737,780</b>		<b>715,606</b>

(1) Selling and buying exchange rate of Banco de la Nación Argentina in effect at the end of the period

(2) US\$ = US Dollar; ECU = Euro; CHF Swiss Franc.

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR S.A.)**

**INFORMATION REQUIRED BY SECTION 64 CLAUSE b) OF LAW No. 19.550**

**FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2010 AND 2009**

(stated in thousands of pesos)

Description	2010			
	Transmission and Distribution Expenses	Selling Expenses	Administrative Expenses	Total
Salaries and social security taxes	128,405	29,931	33,031	191,367
Postage and telephone	2,319	5,443	732	8,494
Bank commissions	0	5,156	0	5,156
Allowance for doubtful accounts	0	10,610	0	10,610
Supplies consumption	20,627	52	1,206	21,885
Work by third parties	59,752	22,579	6,723	89,054
Rent and insurance	1,810	319	6,358	8,487
Security services	2,795	114	1,245	4,154
Fees	412	3	2,392	3,207
Computer services	5	3,243	13,315	16,563
Advertising	0	0	8,044	8,044
Reimbursements to personnel	547	105	225	877
Temporary personnel	34	539	301	874
Depreciation of property, plant and equipment	84,415	1,996	2,588	88,999
Directors and Supervisory Committee members' fees	0	0	1,836	1,836
Taxes and charges	1	10,217	1,098	11,316
Other	145	26	1,673	1,844
<b>Total 2010</b>	<b>301,267</b>	<b>90,333</b>	<b>80,767</b>	<b>472,367</b>
<b>Total 2009</b>	<b>264,660</b>	<b>76,798</b>	<b>64,230</b>	<b>405,688</b>

# **EDENOR S.A.**

<p><b>FINANCIAL STATEMENTS, AS OF DECEMBER 31, 2009 TOGETHER WITH THE AUDITOR'S REPORT</b></p>
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**Shareholders and public in general who are interested in learning more about the report related to the Financial Statements as of December 31, 2009, to be published in the electronic database of the Securities and Exchange Commission (SEC), please visit the Edenor website at [www.edenor.com](http://www.edenor.com) and public in general who are interested in learning more about the report related to the Financial Statements as of December 31, 2009, to be published in the electronic database of the Securities and Exchange Commission (SEC), please visit the Edenor website at [www.edenor.com](http://www.edenor.com)**

“Free translation from the original in Spanish for publication in Argentina”

**REPORT OF INDEPENDENT ACCOUNTANTS**

To the Shareholders, President and Directors of  
Empresa Distribuidora y Comercializadora Norte  
Sociedad Anónima (Edenor S.A.)  
Legal Address: Azopardo 1025  
Autonomous City of Buenos Aires  
Tax Code No. 30-65511620-2

1. We have audited the balance sheets of Empresa Distribuidora y Comercializadora Norte Sociedad Anónima (Edenor S.A.) (hereinafter, Edenor S.A.) at December 31, 2009 and 2008, the related statements of income, statements of changes in shareholders' equity and statements of cash flows for the years then ended, as well as the complementary notes 1 to 26 and exhibits A, C, D, E, G and H. The preparation and issuance of these financial statements are the responsibility of the Company. Our responsibility is to express an opinion on such financial statements, based on our audit.
2. Our audit was conducted in accordance with auditing standards in force in Argentina. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and to form an opinion on the reasonableness of the relevant information contained in the financial statements. 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 standards used and significant estimates made by the Company, as well as an evaluation of the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion, the financial statements of Edenor S.A., set out in point 1., present fairly, in all material respects, the financial position of the Company at December 31, 2009 and 2008 and the results of its operations, changes in its shareholders' equity and cash flows for the years then ended, in conformity with accounting principles generally accepted in Argentina approved by the Professional Council of Economic Sciences of the Autonomous City of Buenos Aires.
4. As called for by regulations in force, we report that:
  - a) Edenor S.A.'s financial statements are recorded in the “Inventory and Balances” Book which is maintained in accordance with the Commercial Companies Law and the relevant National Securities Commission pronouncements;
  - b) Edenor S.A.'s financial statements arise from the accounting records maintained in all formal aspects in accordance with safety and integrity standards set by the National Securities Commission;
  - c) At December 31, 2009, the liabilities of Edenor S.A. accrued in favor of the Integrated Pension and Retirement System, according to the accounting records amounted to \$ 8,907,526, which were not yet due at that date.

Autonomous City of Buenos Aires, February 25, 2010

PRICE WATERHOUSE & CO.  
S.R.L.

/s/ Daniel A. López Lado (Partner)

C.P.C.F.C.A.B.A T°1 – F°17.

Dr. Daniel A. López Lado

Certified Public Accountant

(UBA)

C.P.C.E. City of Buenos Aires

T° 148 – F° 91

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (E)**

**BALANCE SHEETS AS OF DECEMBER 31, 2009 AND 2008**

(stated in thousands of pesos)

	2009	2008	
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>
Cash and banks	8,685	6,061	Trade accounts payable (Note 6)
Investments (Exhibit D)	219,687	121,019	Loans (Note 7)
Trade receivables (Note 4)	389,236	400,491	Salaries and social security taxes (Note 8)
Other receivables (Note 5)	61,098	42,801	Taxes (Note 9)
Supplies	14,854	16,705	Other liabilities (Note 10)
Total Current Assets	693,560	587,077	Accrued litigation (Exhibit E)
			Total Current Liabilities
<b>NON-CURRENT ASSETS</b>			<b>NON-CURRENT LIABILITIES</b>
Trade receivables (Note 4)	87,047	111,370	Trade accounts payable (Note 6)
Other receivables (Note 5)	88,756	99,472	Loans (Note 7)
Investments in other companies (Exhibit C)	408	397	Salaries and social security taxes (Note 8)
Investments (Exhibit D)	0	67,212	Taxes (Note 9)
Supplies	18,584	12,844	Other liabilities (Note 10)
Property, plant and equipment (Exhibit A)	3,482,386	3,256,258	Accrued litigation (Exhibit E)
Total Non-Current Assets	3,677,181	3,547,553	Total Non-Current Liabilities
			<b>Total Liabilities</b>
<b>Total Assets</b>	4,370,741	4,134,630	<b>SHAREHOLDERS' EQUITY (as per related notes)</b>
			<b>Total Liabilities and Shareholders' Equity</b>

The accompanying notes 1 through 26 and supplemental exhibits A, C, D, E, G and H are an integral part of these financial statements

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR S.A.)**

**STATEMENTS OF INCOME**

**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

(stated in thousands of pesos)

	2009	2008
Net sales (Note 11)	2,077,860	2,000,198
Electric power purchases	(1,003,362)	(934,660)
Gross margin	1,074,498	1,065,538
Transmission and distribution expenses (Exhibit H)	(548,583)	(497,870)
Selling expenses (Exhibit H)	(158,956)	(126,016)
Administrative expenses (Exhibit H)	(176,567)	(138,737)
Subtotal	190,392	302,915
Other Income (Expense), net (Note 12)	23,290	(29,825)
Financial income (expense) and holding gains (losses)		
Generated by assets		
Exchange difference	21,402	8,139
Interest	16,204	9,772
Holding results (Note 22)	37,589	(7,300)
Generated by liabilities		
Financial expenses	(11,713)	(9,964)
Exchange difference	(99,096)	(92,707)
Interest	(87,739)	(95,273)
Adjustment to present value of the retroactive tariff increase arising from the application of the new electricity rate schedule and other receivables (Notes 13)	3,413	13,454
Adjustment to present value of notes (Note 3.j)	(5,243)	(8,457)
Gain from the purchase of notes (Note 14)	81,455	93,535
Ordinary income before taxes	169,954	184,289
Income tax (Note 3.m)	(79,311)	(61,174)
Net ordinary income for the year	90,643	123,115
Earnings per common share	0.101	0.137

The accompanying notes 1 through 26 and supplemental exhibits A, C, D, E, G and H are an integral part of these financial statements

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR S.A.)**

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

(stated in thousands of pesos)

	2009						Appr Retaine Legal
	Shareholders' contributions						
	Nominal Value (Note 16.a)	Adjustment to Capital	Additional Paid-in Capital	Nominal Value Treasury Stock Note 1	Adjustment to Capital Treasury Stock Note 1	Total	
Balance at beginning of year	897,043	986,142	18,317	9,412	10,347	1,921,261	
Appropriation resolved by the General Annual Meeting held on March 31, 2009 (Note 16.d)	-	-	-	-	-	-	
Subtotal (Note 16.d)							
Acquisition of treasury shares (Note 16.b)	-	-	-	-	-	-	
Net income for the year	-	-	-	-	-	-	
Balance at end of year	897,043	986,142	18,317	9,412	10,347	1,921,261	

The accompanying notes 1 through 26 and supplemental exhibits A, C, D, E, G and H are an integral part of these financial statements



**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR S.A.)**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

(stated in thousands of pesos)

	2009	2008
<b>Changes in cash and cash equivalents</b>		
Cash and cash equivalents at beginning of year (Note 18.a)	126,399	101,198
Cash and cash equivalents at end of year (Note 18.a)	228,372	126,399
Net increase in cash and cash equivalents	101,973	25,201
<b>Cash flows from operating activities</b>		
Net income for the year	90,643	123,115
<b>Adjustments to reconcile net income to net cash flows provided by operating activities</b>		
Depreciation of property, plant and equipment (Exhibit A)	175,419	170,263
Retirement of property, plant and equipment (Exhibit A)	2,763	1,910
Gain from investment in related company SACME S.A. (Exhibit C)	(11)	(7)
(Loss) / Gain from investments	26,379	(4,310)
Adjustment to present value of notes (Note 3.j)	5,243	8,457
Gain from the purchase of notes (Note 14)	(81,455)	(93,535)
Exchange difference and interest on loans	178,586	232,743
Recovery of the accrual for tax contingencies (Exhibit E)	(35,553)	0
Income tax (Note 3.m)	79,311	61,174
Allowance for doubtful accounts (Exhibit E)	13,547	17,107
Recovery of the allowance for doubtful accounts (Exhibit E)	(26,956)	(24,016)
Allowance for other doubtful accounts (Exhibit E)	3,335	1,673
Adjustment to present value of the retroactive tariff increase arising from the application of the new electricity rate schedule and other receivables (Notes 13)	(3,413)	(13,454)
<b>Changes in assets and liabilities:</b>		
Net decrease (increase) in trade receivables	48,070	(49,454)
Net decrease (increase) in other receivables	5,342	(33,350)
(Increase) Decrease in supplies	(3,889)	7,384
Increase in trade accounts payable	15,221	27,797
Increase in salaries and social security taxes	27,173	50,279
(Decrease) Increase in taxes	(56,915)	26,380
Increase in other liabilities	239,118	78,077
Net increase in accrued litigation	10,616	15,123
Financial interest paid (net of interest capitalized) (Notes 3.g and 18.b)	(76,827)	(62,685)
Financial and commercial interest collected (Note 18.b)	32,230	6,872
<b>Net cash flows provided by operating activities</b>	667,977	547,543
<b>Cash flows from investing activities</b>		
Additions of property, plant and equipment (1)	(404,165)	(325,380)
<b>Net cash flows used in investing activities</b>	(404,165)	(325,380)
<b>Cash flows from financing activities</b>		
Decrease (Increase) in non-current investments	13,614	(67,893)
Net decrease in loans	(175,453)	(122,939)
Acquisition of treasury shares (Note 1)	0	(6,130)
<b>Net cash flows used in financing activities</b>	(161,839)	(196,962)
<b>Net increase in cash and cash equivalents</b>	101,973	25,201

(1) Net of 145 and 8,276 Software lease agreement (Note 3.g) as of December 31, 2009 and 2008, respectively and 2,066 Capital investments fund - CAMMESA (Note 17.b) as of December 31, 2008.

The accompanying notes 1 through 26 and supplemental exhibits A, C, D, E, G and H are an integral part of these financial statements

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A.  
(EDENOR S.A.)**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2009 AND 2008**

(amounts stated in thousands of Argentine pesos)

**1. ORGANIZATION AND START UP OF THE COMPANY**

In compliance with Law No. 24,065 and in agreement with the reform process of the Argentine Federal Government and the privatization program of Argentine state-owned companies, the entire business of generation, transportation, distribution and sale of electric power carried out by Servicios Eléctricos del Gran Buenos Aires S.A. (SEGBA) was declared to be subject to privatization; the operation was divided into seven business units: three for the distribution and four for the generation of electric power.

On May 14, 1992, the Ministry of Economy and Public Works and Utilities, by Resolution No. 591/92, approved the Bidding Terms and Conditions (Bid Package) of the International Public Bidding for the sale of the Class "A" shares, representing 51% of the capital stock of Empresa Distribuidora Norte S.A. (hereinafter, "EDENOR" or "the Company") and Empresa Distribuidora Sur S.A. (EDESUR S.A.), two of the three electric power distribution companies into which SEGBA had been divided.

EDF International (EDF S.A.), Empresa Nacional Hidroeléctrica del Ribagorzana, S.A. (ENHER), Astra Compañía Argentina de Petróleo S.A. (ASTRA), Socièté D'Amenagement Urbain et Rural (SAUR), Empresa Nacional de Electricidad S.A. (ENDESA) and J.P. Morgan International Capital Corporation formed Electricidad Argentina S.A. (EASA) to bid for the Class "A" shares of EDENOR, a company organized on July 21, 1992 by Decree No. 714/92 of the Federal Government.

EASA was awarded the Class "A" shares of EDENOR based on a bid of US\$ 427,973,000 (equivalent to the same amount in Argentine pesos as of such date). The corresponding contract for the transfer of 51% of EDENOR's capital stock was executed on August 6, 1992. The award as well as the transfer contract were approved on August 24, 1992 by Decree No. 1,507/92 of the Federal Government. Finally, on September 1, 1992, EASA took over the operations of EDENOR.

In accordance with the provisions of Decree No. 282/93 of the Federal Government, dated February 22, 1993, the recorded values of assets, liabilities and net capital arising from the transfer of SEGBA, were determined on the basis of the price actually paid for 51% of EDENOR's capital stock (represented by the totality of Class "A" shares). This price was also used as the basis to determine the value of the remaining 49% of the capital stock. In order to determine the value of the assets transferred from SEGBA, the amount of liabilities assumed was added to the value of the total capital stock of 831,610, determined as indicated above. Management estimates that the amounts of the assets transferred from SEGBA represented their fair values as of the date of the privatization.

The corporate purpose of EDENOR is to engage in the distribution and sale of electricity within the concession area. Furthermore, 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 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.

On June 12, 1996, the Extraordinary Shareholders' Meeting approved the change of the Company's name to Empresa Distribuidora y Comercializadora Norte S.A. (EDENOR S.A.) so that the new name would reflect the description of the Company's core business. The amendment to the Company's by-laws as a consequence of the change of name was approved by the National Regulatory Authority for the Distribution of Electricity (ENRE - Ente Nacional Regulador de la Electricidad), through Resolution No. 417/97 and registered with the Public Registry of Commerce on August 7, 1997.

On May 4 and June 29, 2001, EDF International S.A. (a wholly-owned subsidiary of EDF) acquired all the shares of EASA and EDENOR held by ENDESA Internacional, YPF S.A. (surviving company of ASTRA) and SAUR. Therefore, the direct and indirect interest of EDF International S.A. (EDFI) in EDENOR increased to 90%.

On June 29, 2005, the Board of Directors of EDF approved a draft agreement with Dolphin Energía S.A. (Dolphin) pursuant to which it would assign 65% of EDENOR's capital stock (held by EDFI) through the transfer of all Class "A" common shares held by EASA and 14% of the Class "B" common shares. In this manner, EDFI would retain a 25% interest in EDENOR. The remaining 10% would be kept by the employees according to the Employee Stock Ownership Program (ESOP). The closing of the agreement took place upon its approval by the corresponding French and Argentine governmental authorities.

On September 15, 2005, by virtue of the stock purchase-sale agreement entered into by EDFI and Dolphin and Dolphin's subsequent partial assignments of its interest in EASA and EDENOR to IEASA S.A. (IEASA) and New Equity Ventures LLC (NEV), the formal take over by Dolphin took place, together with the change in the Company's indirect control through the acquisition of 100% of the capital stock of EASA, which is the controlling company of EDENOR, by Dolphin (90%) and IEASA (10%). Furthermore, as a result of the aforementioned agreement, the ownership of the Company's Class "B" common shares (representing 39% of its capital stock) changed with 14% of the Company's capital stock now being held by NEV and the remaining 25% being kept by EDFI.

On April 28, 2006, the Company's Board of Directors decided to initiate the public offering of part of the Company's capital stock in local and international markets, including, but not limited to the trading of its shares in the Buenos Aires Stock Exchange (BCBA) and the New York Stock Exchange (NYSE), United States of America.

On June 7, 2006, the Ordinary and Extraordinary Shareholders' Meeting resolved to increase capital stock up to ten percent (10%), request authorization for the public offering from both the National Securities Commission (CNV) and the Securities and Exchange Commission (SEC) of the United States of America, as well as authorization to trade from both the Buenos Aires Stock Exchange and the New York Stock Exchange, entrusting the Board of Directors with the task of taking the necessary steps to implement such resolutions.

Additionally, it was decided that an American Depositary Receipts (ADRs) program, represented by American Depositary Shares (ADSs) would be created and that it would be the responsibility of the Board of Directors to determine the terms and conditions and the scope of the program.

On June 14, 2007, the Board of Directors approved the final report on Edenor's capital increase and public offering process. As a result of the above-mentioned process, the Company's Class B shares and American Depositary Shares ("ADSs"), representing Class B shares, are traded on the Buenos Aires Stock Exchange and the New York Stock Exchange, respectively. The final capital increase, as resolved by the above-mentioned Board of Directors, amounted to nine percent (9%) which is represented by 74,844,900 (seventy-four million eight hundred forty-four thousand nine hundred) new shares subscribed at the international primary offering, fully placed as 3,742,245 ADS. It was also reported that a secondary international offering was made on this date of 207,902,540 Class B shares.

The aforementioned issuance was carried out at a price of 2.62 per share. Taking into account that the nominal value of each share is 1.00, an additional paid-in capital, amounting to 121,249, was recorded.

The Class "B" shareholders NEV and EDFI informed the Company that at the secondary international offering they sold 49,401,480 and 179,049,520 Class "B" shares, respectively. Additionally, on May 1, 2007, the shareholders NEV and EDFI informed that they had sold 57,706,040 Class "B" shares at the secondary international offering when the international underwriters fully exercised the over-allotment option (green shoe) contemplated in the prospectus for the public offering and section 2 of the underwriting agreement.

With regard to the Company's Class "C" shares held by the Employee Stock Ownership Program (ESOP), on April 29, 2007 the ESOP was partially cancelled in advance in conformity with a procedure set forth by the Federal Government, and on April 30, 2007, an amount of 81,208,416 shares, which had been converted into Class "B" shares on April 27, 2007, was sold at the domestic secondary offering. As of the date of issuance of these financial statements, an amount of 1,952,604 Class "C" shares, representing 0.22% of the Company's capital stock, remains outstanding.

Furthermore, Dolphin and IEASA contributed 38,170,909 Class "B" shares of the Company that had been transferred to them by NEV to EASA, which is the controlling company. On April 27, 2007, the contributed shares were converted into Class "A" shares to ensure that EASA continues to hold 51% of all the Class "A" shares outstanding. On April 30, 2007, the Company requested that Caja de Valores S.A. register the new Class "A" shares and extend thereto the regulatory pledge in favor of the Argentine Government, in compliance with the Bidding Terms and Conditions of the International Public Bidding, the provisions of the Concession Agreement of Edenor S.A., and the terms of the related pledge agreements signed on August 31, 1992 and July 14, 1994 which, in accordance with their second clause, EASA was required to extend the first-priority preferred security interest to any Class "A" Shares of the Company that EASA would acquire on a date subsequent to those of said Agreements.

Moreover, section 19 of the Adjustment Agreement entered into by the Company and the Argentine Government, which was ratified by Decree No. 1957/2006, stipulates that the pledge on the Company's shares in favor of the Argentine Government granted as security for the performance of the Concession Agreement will be extended to include the performance of the obligations assumed by the Company in this Adjustment Agreement.

The Company was notified that on June 22, 2007, the shareholders of Dolphin Energía S.A. and IEASA S.A. (that own 100% of the stock of Electricidad Argentina S.A., the controlling company of Edenor S.A.) and Pampa Energía S.A. entered into a memorandum of understanding whereby it was agreed that the totality of the capital stock of Dolphin Energía S.A. and IEASA S.A. would be exchanged for common shares of Pampa Energía S.A.

Furthermore, the Company received a notice from EASA whereby it was informed that the exchange for shares described in the preceding paragraph had formally been agreed upon on September 28, 2007 under a Stock Subscription Agreement entered into by Pampa Energía S.A., Marcos Marcelo Mindlin, Damián Miguel Mindlin, Gustavo Mariani, Latin American Energy LLC, New Equity Ventures LLC and Deutsche Bank AG, London Branch. Moreover, on such date, Pampa Energía S.A. acquired 100% of the capital stock of Dolphin Energía S.A. and IEASA S.A, which together own 100% of the capital stock of EASA.

On October 23, 2008, the Company's Board of Directors decided to launch a public offering for the acquisition of the Company's own shares pursuant to both the terms of Section 29, Chapter XXVII, Book 9 of the National Securities Commission's regulations and the provisions of Section 68 of Law No. 17,811 (as amended by Decree No. 677/2001).

The shares acquired by virtue of the aforementioned provisions shall be sold by the Company within a maximum period of three years as from acquisition date, unless such period is extended by the Ordinary Shareholders' Meeting.

On October 27, 2008, the Company requested authorization for the above-mentioned public offering from the National Securities Commission (CNV).

Furthermore, on October 29, 2008, the Company's Board of Directors modified the basic terms and conditions of the aforementioned offering.

On October 30, 2008, the National Securities Commission (CNV) approved the above-mentioned public offering for the acquisition of the Company's own shares. Furthermore, the Company's Board of Directors fixed the purchase price of the shares to be acquired within the framework of the offering in the amount of pesos 0.65.

The main terms and conditions for the acquisition of the Company's own shares in the framework of the offering have been the following:

- Maximum amount to invest: up to pesos 45,000,000
- Maximum number of shares included in the offering: up to 65,000,000 common, Class B and/or C shares, representing approximately 7.17% of the Company's capital stock, with a nominal value of 1 peso each and the right to one vote per share
- Source of the funds: the acquisition of shares will be made with realized and liquid profits resulting from the financial statements for the six-month period ended June 30, 2008 and approved by the Company's Board of Directors on August 7, 2008. Additionally, it is stated that the Company is liquid and has the necessary economic resources to guarantee full satisfaction of the offering.
- Scope of the offering: it was exclusively carried out in Argentina.

On November 14, 2008, the Company's Board of Directors decided to continue with the acquisition process of the Company's own shares through market transactions in accordance with the terms of section 68 of Law No. 17,811 (as amended by Decree No. 677/2001) and the CNV's Regulations. This decision was taken firstly because the reasons that motivated the acquisition process through the public offering mechanism previously described continue to exist, and secondly because such mechanism would provide the Company with more flexibility to determine the purchase price of its own shares in a context of high volatility in the market value of shares in general.

Based on the foregoing, the Company's Board of Directors approved the following basic terms and conditions:

- Maximum amount to invest: up to pesos 45,000,000
- Maximum number of Class B shares to be acquired: the number of common Class B shares, with a nominal value of 1 peso each and the right to one vote per share, equivalent to the maximum amount to invest, which may not exceed at any time, the maximum limit of treasury stock which the Company may own, in accordance with applicable regulations.
- Daily limit for market transactions: up to 25% of the average daily transaction volume in the markets where the shares are listed, for the preceding 90-day period, in accordance with applicable regulations.
- Price to be paid for the shares: between a minimum of 0.50 and a maximum of 0.80 peso per share.
- Acquisition period: 120 calendar days to commence from the working day following the date of publication of the information in the *Daily Bulletin* of the Buenos Aires Stock Exchange, which took place on November 17, 2008. Such period may be reduced, renewed or extended. Investors will be informed of any such reduction, renewal or extension through the above-mentioned bulletin.
- Source of the funds: the acquisition of shares will be made with realized and liquid profits resulting from the financial statements for the nine-month period ended September 30, 2008 and approved by the Company's Board of Directors on November 5, 2008. Additionally, it is stated that the Company is liquid so as to make the aforementioned acquisitions without affecting its creditworthiness.

As of December 31, 2008 the Company acquired, through both acquisition processes, a total of 9,412,500 class B shares with a nominal value of 1 peso each at an acquisition cost of 6,130

On March 17, 2009, the 120-calendar-day period stipulated in the terms and conditions for the repurchase of treasury shares, that had commenced on November 18, 2008, came to an end.

As of December 31, 2009 and 2008, the Company's capital stock, represented by 906,455,100 shares is comprised of the following (Note 16.a):

Holder	Number of shares	Class	% held
EASA (1)	462,292,111	"A"	51.00
Market in general (2)	442,210,356	"B"	48.78
Banco Nación (3)	1,952,604	"C"	0.22
New Equity Ventures LLC	19	"B"	0
EDF Internacional S.A.	10	"B"	0

(1) The shares are pledged in favor of the Argentine Government as evidenced by the certificate issued by Caja de Valores.

(2) Includes 9,412,500 treasury shares as of December 31, 2009 and 2008.

(3) Trustee of the Employee Stock Ownership Program.

On July 19, 2006, EASA carried out a restructuring of the totality of its financial debt. If EASA did not comply with its payment obligations under the new debt, its creditors could obtain an attachment order against the Company's Class A shares held by them, and, consequently, the Argentine Government would be entitled, as stipulated in the concession agreement, to foreclose on the pledged shares, with an adverse effect on the results of its operations.

## **2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS**

### **Financial statements presentation**

These financial statements have been prepared in accordance with accounting principles generally accepted in the City of Buenos Aires, Argentina (hereinafter "Argentine GAAP") and the criteria established by the National Securities Commission (CNV), taking into account that which is mentioned in the following paragraphs.

The amounts of these financial statements are stated in thousands of Argentine pesos.

As from January 1, 2003 and as required by General Resolution No. 434/03 of the CNV, the Company reports the results of its operations, determines the values of its assets and liabilities and determines its profit and loss in conformity with the provisions of Technical Resolutions (TR) Nos. 8, 9 and 16 through 18 (amended text June 2003). As from January 1, 2004, the Company has applied the provisions of TR No. 21 of the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) as approved by the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires (CPCECABA), with specific few exceptions and clarifications introduced by General Resolution No. 459/04 of the CNV.

The CNV through its General Resolutions Nos. 485/05 and 487/06 decided to implement certain changes in the Argentine GAAP effective for fiscal years or interim periods beginning as from January 1, 2006, by requiring the application of TR Nos. 6, 8, 9, 11, 14, 16, 17, 18, 21, 22 and 23 and Interpretations 1, 2, 3, and 4, of the FACPCE with the amendments introduced by such Federation through April 1, 2005 (Resolution No. 312/05) and adopted by the CPCECABA (Resolution CD No. 93/05) with certain amendments and clarifications.

Among the aforementioned changes the following can be noted: i) the comparison between the values of certain assets and their recoverable values, using discounted cash-flows; ii) the consideration of the difference between the accounting and tax values resulting from the adjustment for inflation included in non-monetary assets, as a temporary difference, allowing the Company to either recognize a deferred tax liability or to disclose the effect of such accounting change in a note to the financial statements and (iii) the capitalization of interest cost on certain assets (only those assets that require an extended period of time to be produced or acquired would qualify) during the term of their construction and until they are in condition to be used.

With regard to the impact of the application of the change mentioned in the preceding paragraph under (i) on the Company's property, plant and equipment, said change does not have a significant impact on the Company's financial position or net income for the year ended December 31, 2009, given that the fair value (defined as the discounted value of net cash flows arising from both the use of the assets and their final disposal) exceeds their recorded value (Note 3.g).

With regard to item (ii), the Company has decided to disclose said effect in a note to the financial statements. Had the Company chosen to recognize the effect of the adjustment for inflation of its property, plant and equipment as a temporary difference, as of December 31, 2009 a deferred tax liability of approximately 383,241 and a credit to net income for the year, under the income tax account, amounting to 26,980, would have been recorded (Note 3.m).

Additionally, had the Company elected to recognize a deferred tax liability, in subsequent years, the Company would have recorded an income tax expense that would have been lower than the income tax expense that will be recorded as a result of maintaining the criterion applied up to the moment, whose distribution in subsequent years has been estimated as follows:

Year	Effect on deferred tax result Nominal value
2010	25,011
2011	24,084
2012 – 2016	106,866
2017 – 2021	88,058
Remainder	<u>139,222</u>
<b>Total</b>	<u><b>383,241</b></u>

Furthermore, on March 20 and June 12, 2009, the FACPCE approved TR Nos. 26 and 27 "Adoption of the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB)" and "Changes to TR Nos. 6, 8, 9, 11, 14, 16, 17, 18, 21, 22, 23 and 24" respectively, which will be in effect for fiscal years beginning as from January 1, 2011. Additionally, the aforementioned TR have been approved by the Board of the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires through Resolution No. 52/2009.

Furthermore, on December 29, 2009, the CNV issued Resolution No. 562, according to which 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 regime would be required to comply with the provisions of TR No. 26. The application of such regulations will be mandatory for the Company as from the fiscal year beginning January 1, 2012.

As of the date of issuance of these financial statements, the Company's Board of Directors is analyzing the specific implementation plan.

### **Consideration of the effects of inflation**

The financial statements fully reflect the effects of the changes in the purchasing power of the currency through August 31, 1995. As from such date, and in accordance with Argentine GAAP and the requirements of control authorities, the restatement of the financial statements to reflect the effects of inflation was discontinued until December 31, 2001. As from January 1, 2002, and in accordance with Argentine GAAP, it was established that inflation adjustment be reinstated and that the accounting basis restated as a result of the change in the purchasing power of the currency through August 31, 1995, as well as transactions with original date as from such date through December 31, 2001, be considered as restated as of the latter date. The financial statements have been restated to reflect the effects of inflation based on the variations of the Domestic Wholesale Price Index.

On March 25, 2003, the Federal Government issued Decree No. 664 establishing that financial statements for fiscal years ending as from such date had to be prepared in nominal currency. Consequently, and in accordance with Resolution No. 441 of the CNV, the Company discontinued the restatement of its financial statements as from March 1, 2003. This criterion does not agree with Argentine GAAP which establish that financial statements were to be restated through September 30, 2003. The Company has

estimated that the effect of not having restated the financial statements through September 30, 2003 is not significant on the financial statements.

### 3. **VALUATION CRITERIA**

The main valuation criteria used in the preparation of these financial statements are as follow:

**a) Cash and banks:**

- In local currency: at nominal value.
- In foreign currency: at the exchange rate in effect as of the end of each year. The corresponding detail is disclosed in Exhibit G.

**b) Current investments:**

- 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 as of the end of each year.
- Corporate notes, which have been valued at the prevailing market price as of the end of each year.

**c) Trade receivables:**

- Services rendered and billed but not collected, and services rendered but unbilled as of the end of each year, at nominal value, except for those indicated in the following paragraphs;
- Services rendered but unbilled as of the end of each year, arising from the retroactive increase deriving from the application of the electricity rate schedule resulting from the RTT (Note 17.b) have been valued on the basis of the best estimate of the amount to be collected, discounted at a 10.5% annual nominal rate, which, in accordance with the Company's criterion, reasonably reflected market assessments of the time value of money and risks specific to the receivable at the time of their initial measurement.
- The amounts owed by the Government of the Province of Buenos Aires under the Framework Agreement (Note 13) have been valued as of December 31, 2009 on the basis of the best estimate of the amount to be collected, discounted at a 19.62% annual nominal rate, which, in accordance with the Company's criterion, reasonably reflected market assessments of the time value of money and risks specific to the receivable at the time of their initial measurement.

The amounts thus determined:

1. are net of an allowance for doubtful accounts, as described in more detail in paragraph h) of this Note.
2. consider the effects of that which is stated in Note 13.

**d) Other receivables and liabilities (excluding loans):**

- In local currency: at nominal value.
- In foreign currency: at the exchange rate in effect as of the end of each year (Exhibit G).

Other receivables and liabilities have been valued as indicated above including, if any, interest income or expense accrued as of the end of each year. The values thus obtained do not differ significantly from those that would have been obtained if the Argentine GAAP had been applied, inasmuch as they establish that other receivables and liabilities must be valued on the basis of the best estimate amount to be collected and paid, respectively, discounted at a rate that reflects the time value of money and the risks specific to the transaction estimated at the time of their being recorded in assets and liabilities, respectively.

Liabilities, excluding loans, have been valued at nominal value including, if any, interest expense accrued as of the end of each year. The values thus obtained do not differ significantly from those that would have been obtained if the Argentine GAAP had been applied, inasmuch as they establish



that they must be valued at their estimated cash price at the time of the transaction, plus interest and implicit financing components accrued on the basis of the internal rate of return determined at such opportunity.

**e) Supplies:**

Supplies were valued at acquisition cost restated to reflect the effects of inflation as indicated in Note 2. The consumption of supplies has been valued based on the average cost method.

The Company has classified supplies into current and non-current depending on whether they will be used for maintenance or capital expenditures.

The carrying value of supplies, taken as a whole, does not exceed their recoverable value as of the end of each year.

**f) Non-current investments:**

- 50% interest held in the related company SACME S.A. (a company organized by means of equal contributions by distribution companies EDENOR S.A. and EDESUR S.A. in accordance with the Bid Package). SACME S.A. is in charge of monitoring the electric power supplied to the aforementioned distributors. As of December 31, 2009 and 2008, the investment in SACME has been recorded at its equity value (Exhibit C).

In order to determine the equity value, the audited financial statements of SACME S.A. as of December 31, 2009 and 2008 have been used. The accounting principles used by SACME are similar to those applied by EDENOR for the preparation of its financial statements.

- Corporate Notes of Central Térmica Güemes: As of December 31, 2008, the aforementioned corporate notes have been valued at their acquisition value plus interest income accrued translated into pesos at the rate of exchange in effect as of year-end. As of December 31, 2008, interest income accrued was disclosed in current investments and amounted to 393 (Exhibit D).

During the period ended March 31, 2009, the Company sold the aforementioned corporate notes, which resulted in a loss of 4,679 that has been included in the Financial income (expense) and Holding gains (losses) generated by assets account of the Statement of Income under Holding results.

- Municipal Financial Restructuring Bonds (Municipal Bonds) issued pursuant to Law No. 11,752 of the Province of Buenos Aires: As of December 31, 2008, they were valued at their acquisition value, including the inflation-linked CER (“benchmark stabilization coefficient”) adjustment and interest accrued at an annual rate of 4%.

On December 29, 2009, the Company sold the aforementioned Municipal Bonds. This transaction resulted in a loss of 1,756 that has been included in the Financial income (expense) and Holding gains (losses) generated by assets account of the Statement of Income under Holding results.

- Discretionary trust: As of December 31, 2008, its value has been based upon the market price of the securities kept by the trustee translated into pesos at the rate of exchange in effect as of year-end. On September 3, 2009, the discretionary trust was dissolved and the trust property was liquidated and transferred to the Company (Note 22).

**g) Property, plant and equipment:**

Property, plant and equipment transferred by SEGBA on September 1, 1992 were valued as of the privatization date as described below, and restated to reflect the effects of inflation as indicated in Note 2. The total value of the assets transferred from SEGBA was allocated to individual assets accounts on the basis of engineering studies conducted by the Company.

The total value of property, plant and equipment has been determined based on the US\$ 427 million price actually paid by EASA for the acquisition of 51% of the Company's capital stock at acquisition date. Such price was used to value the entire capital stock of EDENOR at 832 million pesos, which, when added to the fair value of the debts assumed by the Company under the SEGBA Privatization Bid Package for 139.2 million pesos less the fair value of certain assets received from SEGBA for 103.2 million, valued property plant and equipment at 868 million pesos.

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 restated to reflect the effects of inflation as indicated in Note 2, net of the related accumulated depreciation. Depreciation has been calculated by applying the straight-line method over the estimated 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 TR No. 17, financial costs in relation to any given asset may 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 a 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. The Company capitalized financial costs on property, plant and equipment from 1997 to 2001, from 2006 through 2008 and during the year ended December 31, 2009. Financial costs capitalized for the years ended December 31, 2009 and 2008 amounted to 24,966 and 31,477, respectively.

During the years ended December 31, 2009 and 2008, direct and indirect costs capitalized amounted to 49,566 and 41,464 respectively.

Furthermore, on May 19, 2008 the Company entered into a software lease agreement, which, in accordance with the provisions of section 4.1 of Technical Resolution No. 18 of the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires, has been considered as a Finance Lease. Additionally, on November 27, 2008 the aforementioned agreement was amended so as to extend its scope.

Common characteristics of these lease contracts are that they transfer substantially all the risks and rewards incident to the ownership of the leased asset, whose ownership title may be transferred or not. In consideration thereof, the Company (lessee) agrees to make one or more payments that cover the current value of the asset and the corresponding financial charges.

For this concept, the Company has recorded 11,849 and 10,103 in the Property, plant and equipment account (Exhibit A), and 3,744 and 8,276 in Other Liabilities under Other (Note 10) as of December 31, 2009 and 2008, respectively, and 1,088 and 589 in the Statement of Income under Financial interest as of December 31, 2009 and 2008, respectively.

The recorded value of property, plant and equipment, taken as a whole, does not exceed their recoverable value as of the end of each year.

**h) Allowances (Exhibit E):**

Allowance for doubtful accounts: it has been recorded to adjust the valuation of trade receivables and other receivables up to their estimated recoverable value. The amount of the allowance has been determined based on the historical series of collections for services billed through the end of each year and collections subsequent thereto.

Additionally, for purposes of calculating the amount of the allowance, the Company has considered a detailed analysis of accounts receivable in litigation.

The evolution and balances of allowances have been disclosed in Exhibit E.

**i) Accrued litigation:**

Amounts have been accrued for several contingencies.

- 1) The Company is a party to certain lawsuits and administrative proceedings in several courts and government agencies, including certain tax contingencies arising from the ordinary course of business. The Argentine tax authority (“AFIP”) had challenged certain income tax deductions related to allowances for doubtful accounts made by the Company on its income tax returns for fiscal years 1996, 1997 and 1998, and had assessed additional taxes for approximately 9,300. Tax related contingencies were subject to interest charges and, in some cases, to fines. For these concepts, the Company had recorded an accrual for 29,521. This matter was on appeal to the Federal Tax Court and the Federal Appellate Court in Administrative Matters. During the appeal process, payment of such claim had been suspended.

On April 27, 2009, the Company adhered to the tax regularization plan established in Law No. 26,476. The main features of the aforementioned moratorium are as follow:

- Waiver of fines and penalties on which no final judgment has been issued at the time of adherence to the regularization plan;
- Waiver of late payment/default and penalty interest in the amount exceeding 30 % of the principal owed;
- An initial payment equal to 6% of the debt existing at the time of adherence to the regularization plan;
- The remaining balance payable in 120 monthly installments with a 0.75% monthly interest rate.
- 30% to 50% reduction in tax agents and AFIP attorneys’ fees.

In accordance with the assessment of the tax regularization plan, the Company’s debt amounted to 12,122. During the year ended December 31, 2009, the Company paid for this concept an amount of 1,487, thus the remaining balance of the Company’s debt totals 10,635 (Note 9).

- 2) The Company is also a party to civil and labor lawsuits in the ordinary course of business. At the end of each year, management evaluates these contingencies and records an accrual for related potential losses when: (i) payment thereof is probable, and (ii) the amount can be reasonably estimated. The Company estimates that any loss in excess of amounts accrued in relation to the above matters will not have a material adverse effect on the Company’s result of operations or its financial position.

The evolution and balances of the accrued litigation account have been disclosed in Exhibit E.

**j) Loans:**

As of December 31, 2009 and 2008, the notes issued in United States dollars (Note 14) have been valued on the basis of the best estimate of the amount to be paid, discounted at a 10.5% annual nominal rate, which, in accordance with the Company’s criterion, reasonably reflects market assessments of the time value of money and specific debt risks.

The adjustment to present value of future cash flows of the notes, at the market rate in effect at the time of the initial measurement, generated losses of 5,243 and 8,457 as of December 31, 2009 and 2008, respectively.

During the years ended December 31, 2009, 2008 and 2007, the Company purchased at market prices and in successive operations all “discount notes” and part of the “fixed rate par notes” due in 2016 and 2017, for nominal values of US\$ 86,038 thousand, US\$ 50,033 thousand and US\$ 283,726 thousand, respectively (Note 14).

As of December 31, 2009, the principal outstanding balance of the notes amounts to 746,906 (Notes 7 and 14).

The rest of the financial debts have been valued at nominal value plus interest expense accrued as of the end of each year. The values thus obtained do not differ significantly from those that would have been obtained if the Argentine GAAP had been applied, inasmuch as they establish that financial debts must be valued in accordance with the amount of money delivered and received, respectively, net of the transaction costs, plus financial results accrued on the basis of the internal rate of return estimated at the time of their initial recognition.

“Derivative financial instruments” (Note 23) have been valued in accordance with the provisions of section 2 of Technical Resolution No. 18 of the Argentine Federation of Professional Councils in Economic Sciences (FACPCE), which require that all derivative financial instruments be recognized as either assets or liabilities at their fair value, regardless of whether they are designated as hedging instruments or not.

Furthermore, the changes in the accounting basis of financial instruments have been recognized by the Company in the Financial income (expense) and holding gains (losses) generated by liabilities account of the Statement of Income under Exchange difference with a contra-account in Current Liabilities – Loans under Derivative financial instruments and under Interest as of December 31, 2009 and 2008, respectively (Note 7).

**k) Shareholders' equity accounts:**

These accounts have been restated to reflect the effects of inflation as indicated in Note 2, except for the "Shareholders' Contributions - Nominal value" and "Additional Paid-in Capital" accounts which have been maintained at their nominal value. The excess of the adjusted value of Capital Stock over its nominal value has been included in the "Shareholders' Contributions – Adjustment to Capital" account.

The Treasury Stock account represents the nominal value of the Company's own shares acquired by the Company (Note 1)

**l) Statement of income accounts:**

- The accounts that accumulate monetary transactions have been disclosed at their nominal values.
- Financial income (expense) and holding gains (losses) have been disclosed separately under income (expense) generated by assets and by liabilities.
- The adjustment to present value of the notes is stated at nominal value.
- The adjustment to present value of trade receivables related to the application of the retroactive tariff increase agreed upon in the Adjustment Agreement and the Framework Agreement is stated at nominal value.

**m) Income tax and tax on minimum presumed income:**

The Argentine GAAP require the application of the deferred tax method to account for income tax. This method consists of recognizing deferred tax assets and liabilities when temporary differences arise from the valuation of assets and liabilities for accounting and tax purposes. Regarding the restatement of property, plant and equipment to reflect the effects of inflation, the Company has applied Resolution MD (the Board) No. 11/03 of the CPCECABA and General Resolution No. 487/06 of the CNV (Note 2 – Basis of presentation of the financial statements).

The reconciliation between the income tax as charged to the statement of income for the years ended December 31, 2009 and 2008, and the amount that would result from applying the tax rate in effect (35%) to the income before taxes for each year, is as follows:

	<u>2009</u>	<u>2008</u>
Income for the year before taxes	169,954	184,289
Applicable tax rate	<u>35%</u>	<u>35%</u>
Income for the year at the applicable tax rate	59,484	64,501
Permanent differences		
Adjustment for inflation of property, plant and equipment	26,980	30,404
Accruals and other	<u>(7,153)</u>	<u>(33,731)</u>
Total income tax charge for the year	79,311	61,174
Adjustment of Income Tax Return fiscal year 2008	1,636	0
Variation between deferred assets (liabilities) charged to income	<u>14,623</u>	<u>38,571</u>
Income tax for the year	<u>95,570</u>	<u>99,745</u>

Additionally, the breakdown of deferred tax assets and liabilities as of December 31, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
<b>Non-current deferred tax assets</b>		
Tax-loss carry forward	4,293	8,316
Accruals	127,033	74,823
Other	<u>14,058</u>	<u>15,577</u>
	<u>145,384</u>	<u>98,716</u>

	<u>2009</u>	<u>2008</u>
<b>Non-current deferred tax liabilities</b>		
Property, plant and equipment and other	<u>(58,309)</u>	<u>(17,948)</u>
<b>Net deferred tax assets</b>	<u>87,075</u>	<u>80,768</u>

	<u>2009</u>	<u>2008</u>
Net deferred tax assets - Initial balance	80,768	42,197
Use of tax loss carryforward	(8,316)	0
Variation between deferred assets (liabilities) charged to income	<u>14,623</u>	<u>38,571</u>
<b>Net deferred tax assets - Ending balance</b>	<u>87,075</u>	<u>80,768</u>

Additionally, as of December 31, 2008, the Company had tax credits on minimum presumed income for payments made in prior years. This tax is complementary to the income tax. The Company's tax obligation for a given 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 will be eligible for credit against a partial payment of any excess of the income tax over the tax on minimum presumed income that may arise in any of the ten subsequent fiscal years.

As of December 31, 2009, no minimum presumed income tax charge has been recorded due to the fact that it is lower than the charge of the income tax accrual.

#### n) Operating leases

As lessee, EDENOR has lease contracts (buildings) which classify as operating leases.

Common characteristics of these lease contracts are that lease payments (installments) are established as fixed amounts; there are neither purchase option clauses nor renewal term clauses (except for the Handling and Energy Transformation Center contract 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 two to thirteen years.

Buildings are for commercial offices, two warehouses, the headquarters building (comprised of administration, commercial and technical offices), the Handling and Energy Transformation Center (two buildings and a plot of land located within the perimeter of Central Nuevo Puerto and Puerto Nuevo) and Las Heras substation.

As of December 31, 2009 and 2008, future minimum lease payments with respect to operating leases are as follow:

	<b><u>2009</u></b>	<b><u>2008</u></b>
2009	0	6,031
2010	8,400	5,934
2011	2,645	2,275
2012	336	259
2013	209	203
2014	147	147
2015	<u>147</u>	<u>0</u>
<b>Total future minimum lease payments</b>	<b><u>11,884</u></b>	<b><u>14,849</u></b>

Total rental expenses for all operating leases for the years ended December 31, 2009 and 2008 are as follow:

	<b><u>2009</u></b>	<b><u>2008</u></b>
<b>Total lease expenses</b>	8,478	5,013

As lessor, Edenor has entered into several operating lease contracts with certain cable television companies granting them the right to use the poles of the Company's network. Most of such lease contracts include automatic renewal clauses.

As of December 31, 2009 and 2008, future minimum lease collections with respect to operating leases are as follow:

	<b><u>2009</u></b>	<b><u>2008</u></b>
2009	0	10,303
2010	12,831	1,490
2011	12,294	0
2012	2,167	0
2013	75	0
2014	18	0
2015	<u>0</u>	<u>0</u>
<b>Total future minimum lease collections</b>	<b><u>27,385</u></b>	<b><u>11,793</u></b>

Total rental income for all operating leases for the years ended December 31, 2009 and 2008, is as follows:

	<b><u>2009</u></b>	<b><u>2008</u></b>
<b>Total lease income (Note 11)</b>	13,582	10,463

**o) Labor cost liabilities and early retirements payable:**

They include the following charges:

- for supplementary benefits of leaves of absence derived from accumulated vacation,
- for seniority-based bonus to be granted to employees with a specified number of years of employment, as stipulated in collective bargaining agreements in effect. As of December 31, 2009 and 2008, the accrual for such bonuses amounted to 9,064 and 8,001, respectively (Note 8),

and

- for other personnel benefits (pension plan) to be granted to employees upon retirement, as stipulated in collective bargaining agreements in effect. As of December 31, 2009 and 2008, the accrual for these benefits amounted to 24,820 and 18,048, respectively (Note 8).

Liabilities related to the above-mentioned seniority-based bonus and other personnel benefits (pension plans) to be granted to employees, have been determined taking into account all rights accrued by the beneficiaries of both plans as of December 31, 2009 and 2008, respectively, on the basis of actuarial studies conducted by an independent actuary as of December 31, 2009 and 2008. Such liabilities have been disclosed under the “Salaries and social security taxes” account as seniority-based bonus and other personnel benefits, respectively (Note 8).

Early retirements payable corresponds to individual optional agreements. After employees reach a specific age, the Company may offer them this option. The related accrued liability represents future payment obligations which as of December 31, 2009 and 2008 amount to 6,185 and 6,815 (current) and 9,789 and 14,041 (non-current), respectively (Note 8).

The periodical components of the personnel benefits plan for the years ended December 31, 2009 and 2008, which are disclosed in Other income (expense), net under Voluntary retirements – bonuses (Note 12), are as follow:

	<b><u>2009</u></b>	<b><u>2008</u></b>
Cost	1,608	1,488
Interest	4,843	4,441
Amortization of recognized net actuarial loss	<u>1,314</u>	<u>779</u>
	<u>7,765</u>	<u>6,708</u>

The detail of the variations in the Company’s payment commitments under the personnel benefits plan as of December 31, 2009 and 2008 is as follows:

	<b><u>2009</u></b>	<b><u>2008</u></b>
Payment commitments under the personnel benefits plan at the beginning of the year	26,623	19,083
Cost	1,608	1,488
Interest	4,843	4,441
Actuarial loss	(886)	3,638
Benefits paid to participating employees	<u>(993)</u>	<u>(2,027)</u>
Payment commitments under the personnel benefits plan at the end of the year	<u>31,195</u>	<u>26,623</u>
Payment commitments under the personnel benefits plan at the end of the year	31,195	26,623
Unrecognized net actuarial loss	<u>(6,375)</u>	<u>(8,575)</u>
Total personnel benefits plan (Note 8)	<u>24,820</u>	<u>18,048</u>

Actuarial assumptions used were the following:

	<b><u>2009</u></b>	<b><u>2008</u></b>
Discount rate	25%	18%
Salary increase	15%	15%
Inflation	11.5%	11.5%

The actuarial method used by the Company is the “Projected Unit Credit Method”.

As of December 31, 2009 and 2008, the Company does not have any assets related to the personnel benefit plan (pension plan).

**p) Customer deposits and contributions:**

**Customer deposits:**

Under the Concession Agreement, the Company is allowed to receive customer deposits in the following cases:

1. When the power supply is requested and the user is unable to provide evidence of his legal ownership of the premises;
2. When service has been suspended more than once in one-year period;
3. When the power supply is reconnected and the Company is able to verify the illegal use of the service (fraud).
4. 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 called "reference" rate.

When a customer requests that the supply service be disconnected, the customer's deposit is credited (principal amount plus any interest accrued up to the date of reimbursement). Any balance outstanding at the time of requesting the disconnection of the supply service is deducted from the amount so credited. Similar procedures are followed when the supply service is disconnected due to a lack of customer payment. Consequently, the Company recovers, either fully or partially, any amount owed for electric power consumption.

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.

**Customer contributions:**

The Company receives advances from certain customers for services to be provided based on individual agreements. Such advances are stated at nominal value as of the end of each year.

**q) Revenue recognition:**

Revenues from operations are recognized on an accrual basis and derive mainly from electricity distribution. Such revenues include electricity supplied, whether billed or unbilled, at the end of each year and have been valued on the basis of applicable tariffs.

The Company also recognizes revenues from other concepts included in distribution services, such as new connections, rights of use on poles, transportation of electricity to other distribution companies, etc.

All revenues are recognized when the Company's revenue earning process has been substantially completed, the amount of revenues may be reasonably measured and the economic benefits associated with the transaction flow to the Company.

During the year ended December 31, 2007, the Company recognized revenues from the retroactive tariff increase deriving from the application of the electricity rate schedule resulting from the RTT to non-residential consumption for the period of November 2005 through January 31, 2007 (Note 17.b) as it was during this fiscal year that the new electricity rate schedule was approved by Resolution No. 51/2007 of the ENRE and applied as from February 1, 2007.

On October 4, 2007 the *Official Gazette* published Resolution No. 1037/2007 of the National Energy Secretariat. Said resolution establishes that the amounts paid by the Company for the Quarterly Adjustment Coefficient (CAT) implemented by Section 1 of Law No. 25,957, as well as the amounts corresponding to the Cost Monitoring Mechanism (MMC) for the period May 2006 through April 2007 (Note 17 b and c) be deducted from the funds resulting from the difference between surcharges



billed and discounts made to customers, deriving from the implementation of the Program for the Rational Use of Electric Power (PUREE), until their transfer to the tariff is granted by the regulatory authority. The resolution also establishes that the MMC adjustment for the period May 2006 through April 2007, applicable as from May 1, 2007, amounts to 9.63 %.

Additionally, on October 25, 2007 the ENRE issued Resolution No. 710/2007 which approves the MMC compensation mechanism established in the aforementioned Resolution No. 1037/2007 of the National Energy Secretariat.

The amounts corresponding to the Cost Monitoring Mechanism (MMC) for the period May 2006 through April 2007 as well as those corresponding to the period May 2007 through October 2007 were transferred to the tariff as from July 1, 2008, in accordance with the provisions of Resolution No. 324/2008 (Note 17.b).

By Note No. 1383 dated November 26, 2008 of the National Energy Secretariat, the ENRE was instructed to consider the earmarking of the funds deriving from the application of the Cost Monitoring Mechanism (MMC) corresponding to the period May 2007 through October 2007 whose recognition was pending, and to allow that such funds be deducted from the excess funds deriving from the application of the Program for the Rational Use of Electric Power (PUREE), in accordance with the provisions of Resolution No. 1037/2007 of the National Energy Secretariat.

**r) Estimates:**

The preparation of the financial statements in accordance with Argentine GAAP requires the Company's Board of Directors and Management to make estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results and amounts may differ from the estimates used in the preparation of the financial statements.

**s) Earnings per common share:**

It has been computed on the basis of the number of shares outstanding as of December 31, 2009 and 2008 which amounts to 897,042,600 (net of the treasury shares as of December 31, 2009 and 2008 for 9,412,500). There is no earning (loss) per share dilution, as the Company has issued neither preferred shares nor corporate notes convertible into common shares.

**t) Segment information:**

In accordance with the provisions of TR No. 18, the Company is required to disclose segment information provided certain requirements are met. This Resolution establishes the criterion to be followed for reporting information on operating segments in annual financial statements, and requires the reporting of selective information on operating segments in interim financial reports. Operating segments are those components of the Company's activity about which different financial information may be obtained, whether for the allocation of resources or the determination of an asset's performance. TR No. 18 also establishes the criterion to be applied by the Company to disclose its services, geographical areas and major customers.

The Company is a natural monopoly that operates in a single business segment, electricity distribution and sale in a specific geographical area, pursuant to the terms of the concession agreement that governs the provision of this public service. The Company's activities have similar economic characteristics and are similar as to the nature of their products and services and the electricity distribution process, the type or category of customers, the geographical area and the methods of distribution. Management evaluates the Company's performance based on net income. Accordingly, the disclosure of information as described above is not necessary.

**u) Risk management:**

The Company operates mainly in Argentina. Its business may be affected by inflation, currency devaluation, regulations, interest rates, price controls, changes in governmental economic policies, taxes and other political and economic-related issues affecting the country. The majority of the Company's assets are either non-monetary or denominated in Argentine pesos, whereas the majority of its liabilities are denominated in U.S. dollars. As of December 31, 2009, a minimum portion of the Company's debts accrues interest at floating rates; consequently the Company's exposure to interest rate risk is limited (Note 14).

As of December 31, 2009, the Company has entered into forward and futures contracts with the aim of mitigating the risk generated by the fluctuations in the US dollar rate of exchange (Notes 7 and 23.b).

**v) Concentration risks:**

**Related to customers**

The Company's accounts receivable derive primarily from the sale of electric power.

No single customer accounted for more than 10% of sales for the years ended December 31, 2009 and 2008. The collectibility of trade receivables balances related to the Framework Agreement, which amount to 54,823 and 49,390 as of December 31, 2009 and 2008, respectively, as disclosed in Notes 4 and 13, is subject to compliance with the terms of such agreement.

**Related to employees who are union members**

As of December 31, 2009, approximately 83% of the Company's employees were union members. Although the relationship with unions is currently stable, the Company may not ensure that there will be no work disruptions or strikes in the future, which could have a material adverse effect on the Company's business and the results of operations. Furthermore, collective bargaining agreements signed with unions expired at the end of the 2007 fiscal year. There is no guarantee that the Company will be able to negotiate new collective bargaining agreements under the same terms as those currently in place or that there will be no strikes before or during the negotiation process.

The Bid Package sets forth the responsibilities of both SEGBA and the Company in relation to the personnel transferred by SEGBA through Resolution No. 26/92 of the Energy Secretariat. According to the Bid Package, SEGBA will be fully liable for any labor and social security obligations accrued or originated in events occurred before the take-over date, as well as for any other obligations deriving from lawsuits in process at such date.

During 2005, two new collective bargaining agreements were signed with the Sindicato de Luz y Fuerza de la Capital Federal and the Asociación de Personal Superior de Empresas de Energía, which expired on December 31, 2007 and October 31, 2007, respectively. These agreements were approved by the Ministry of Labor and Social Security on November 17, 2006 and October 5, 2006, respectively.

As of the date of issuance of these financial statements, meetings aimed at negotiating the renewal terms of both collective bargaining agreements are being held with the above-mentioned unions.

**w) Foreign currency translation/ transactions:**

The Company accounts for foreign currency denominated assets and liabilities and related transactions as follows:

The accounting measurements of purchases, sales, payments, collections, other transactions and outstanding balances denominated in foreign currency are translated into pesos using the exchange rates described below. Thus, the resulting amount in pesos represents the amount collected or to be collected, paid or to be paid.

For conversion purposes, the following exchange rates are used:

- a) the exchange rate in effect at the date of the transaction, for payments, collections and other transactions denominated in foreign currency; and
- b) the exchange rate in effect at the date of the financial statements, for assets and liabilities denominated in foreign currency.

For transactions and balances denominated in foreign currency, the bid price is used for assets, and the offer price is used for liabilities.

The effect of such transactions has been included in the Statement of Income as “Exchange difference” under “Financial income (expense) and Holding gains (losses)”.

**x) Financial statements comparison:**

Certain amounts disclosed in the financial statements as of December 31, 2008 have been reclassified for comparative purposes, following the disclosure criteria used for the financial statements as of December 31, 2009.

Such reclassifications do not imply any changes in shareholders’ equity as of December 31, 2008 or in the results of operations for the fiscal year ended as of that date.

**4. TRADE RECEIVABLES**

The detail of trade receivables as of December 31, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
<b>Current:</b>		
Receivables from sales of electricity:		
Billed	181,595	166,958
Unbilled		
Sales of electricity	139,181	164,348
Retroactive tariff increase arising from the application of the new electricity rate schedule (Note 17.b item d)	37,391	39,361
Adjustment to present value of the retroactive tariff increase arising from the application of the new electricity rate schedule (Note 3.c)	(2,516)	(2,516)
Framework Agreement (Notes 3.c, 3.v and 13)	36,273	49,390
Adjustment to present value of the Framework Agreement (Notes 3.c, and 13)	(1,406)	0
Framework Agreement - Payment plan agreement with the Province of Bs. As. (Note 13)	2,292	2,292
National Fund of Electricity (Note 17.a)	2,840	2,812
Specific fee payable for the expansion of the network, transportation and others (Note 17.b)	2,459	929
In litigation	<u>10,815</u>	<u>10,014</u>
Subtotal	408,924	433,588
Less:		
Allowance for doubtful accounts (Exhibit E)	<u>(19,688)</u>	<u>(33,097)</u>
	<u>389,236</u>	<u>400,491</u>

**Non-Current:**

Receivables from sales of electricity:

## Unbilled

Sales of electricity	45,531	45,531
Retroactive tariff increase arising from the application of the new electricity rate schedule (Note 17.b item d)	31,795	79,487
Adjustment to present value of the retroactive tariff increase arising from the application of the new electricity rate schedule (Note 3.c)	(4,119)	(13,648)
Framework Agreement (Notes 3.c, 3.v and 13)	18,550	0
Adjustment to present value of the Framework Agreement (Notes 3.c, and 13)	<u>(4,710)</u>	<u>0</u>
	<u>87,047</u>	<u>111,370</u>

**5. OTHER RECEIVABLES**

The detail of other receivables as of December 31, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
<b>Current:</b>		
Prepaid expenses (1)	2,800	976
Advances to suppliers	142	3,088
Advances to personnel	6,396	7,451
Related parties (Note 15)	1,604	449
Writs of attachment under ENRE proceedings	0	59
Receivables from activities other than the main activity (2)	20,402	15,271
Allowance for other doubtful accounts (Exhibit E)	(7,908)	(4,573)
Warranty deposits and other (3)	32,544	0
Tax credit on minimum presumed income (Note 3.m)	0	10,255
Tax on financial transfers	682	3,866
Other (4)	<u>4,436</u>	<u>5,959</u>
	<u>61,098</u>	<u>42,801</u>
<b>Non-current:</b>		
Prepaid expenses	1,439	1,680
Tax credit on minimum presumed income (Note 3.m)	0	16,956
Net deferred tax assets (Note 3.m)	87,075	80,768
Other	<u>242</u>	<u>68</u>
	<u>88,756</u>	<u>99,472</u>

(1) Includes 447 in foreign currency (Exhibit G) as of December 31, 2009.

(2) Includes 1,367 and 852 in foreign currency (Exhibit G) as of December 31, 2009 and 2008, respectively.

(3) Includes 26,196 related to warranty deposits on derivative financial instruments (Notes 3.u and 23.b), 22,899 of which are denominated in foreign currency (Exhibit G) as of December 31, 2009.

(4) Includes 129 and 11 in foreign currency (Exhibit G) as of December 31, 2009 and 2008, respectively.

## 6. TRADE ACCOUNTS PAYABLE

The detail of trade accounts payable as of December 31, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
<b>Current:</b>		
Payables for purchase of electricity and other purchases (1)	214,693	217,086
Unbilled electric power purchases	92,945	97,619
Customer contributions (Note 3.p)	28,874	23,078
Other (2)	<u>11,270</u>	<u>1,478</u>
	<u>347,782</u>	<u>339,261</u>
<b>Non-Current:</b>		
Customer deposits (Note 3.p)	44,179	40,154
Other (3)	<u>2,675</u>	<u>0</u>
	<u>46,854</u>	<u>40,154</u>

- (1) Includes 29,034 and 23,093 in foreign currency (Exhibit G) as of December 31, 2009 and 2008, respectively. Also, includes balances with SACME S.A. for 1,000 and 910 as of December 31, 2009 and 2008, respectively, and with Préstamos y Servicios S.A for 7 and with Errecondo, Salaverri, Dellatorre, Gonzalez & Burgio for 6 as of December 31, 2008 (Note 15).
- (2) Includes 683 related to the debt recognition and refinancing agreement entered into with the ONABE (Note 17.c).
- (3) Debt recognition and refinancing agreement entered into with the ONABE (Note 17.c).

## 7. LOANS

The detail of loans as of December 31, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
<b>Current:</b>		
Financial loans:		
Principal (1)	43,333	17,771
Interest (2)	<u>305</u>	<u>462</u>
Subtotal financial loans	43,638	18,233
Corporate Notes (Note 14):		
Floating Rate Par Notes – Class 8	17,464	0
Interest (3)	15,885	9,012
Derivative financial instruments (Notes 3.u and 23.b)	<u>6,001</u>	<u>0</u>
	<u>82,988</u>	<u>27,245</u>

	<u>2009</u>	<u>2008</u>
<b>Non-current:</b>		
Financial loans:		
Principal	0	33,334
Corporate Notes (Note 14):		
Floating Rate Par Notes – Class 8	58,236	0
Fixed Rate Notes – Class 7 (4)	565,022	699,232
Fixed and Incremental Rate Par Notes – Class A (4)	58,091	148,960
Fixed and Incremental Rate Par Notes – Class B (4)	0	15,107
Floating Rate Par Notes – Class A (4)	<u>48,093</u>	<u>43,701</u>
Subtotal corporate notes	729,442	907,000
Adjustment to present value of notes (Note 3.j)	<u>(21,943)</u>	<u>(27,186)</u>
Corporate Notes at present value	<u>707,499</u>	<u>879,814</u>
	<u>707,499</u>	<u>913,148</u>

- (1) Includes 1,105 in foreign currency (Exhibit G) as of December 31, 2008.
- (2) Includes 35 in foreign currency (Exhibit G) as of December 31, 2008.
- (3) Includes 13,996 and 9,012 in foreign currency (Exhibit G) as of December 31, 2009 and 2008, respectively, net of 7,905 related to derivative financial instruments as of December 31, 2008 (Note 23.a).
- (4) In foreign currency (Exhibit G) as of December 31, 2009 and 2008.

## **8. SALARIES AND SOCIAL SECURITY TAXES**

The detail of salaries and social security taxes as of December 31, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
<b>Current:</b>		
Salaries payable and accruals	101,435	79,315
Social Security (ANSES)	10,757	8,657
Early retirements payable (Note 3.o)	<u>6,185</u>	<u>6,815</u>
	<u>118,377</u>	<u>94,787</u>
Non-Current (Note 3.o):		
Personnel Benefits Plan	24,820	18,048
Seniority-based bonus	9,064	8,001
Early retirements payable	<u>9,789</u>	<u>14,041</u>
	<u>43,673</u>	<u>40,090</u>

## 9. TAXES

The detail of taxes as of December 31, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
<b>Current:</b>		
Provincial, municipal and federal contributions and taxes	28,957	22,796
Value Added Tax (VAT)	28,554	32,912
Income Tax and Tax on minimum presumed income (net of advances, withholdings and payments on account) (Note 3.m)	37,867	22,151
Withholdings	9,464	5,436
Municipal taxes	24,693	21,844
Tax regularization plan Law No. 26,476 (Note 3.i.1)	1,261	0
Other	<u>9,505</u>	<u>5,882</u>
	<u>140,301</u>	<u>111,021</u>
<b>Non-Current:</b>		
Tax regularization plan Law No. 26,476 (Note 3.i.1)	<u>9,374</u>	<u>0</u>

## 10. OTHER LIABILITIES

The detail of other liabilities as of December 31, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
<b>Current:</b>		
Capital expenditures fund – CAMMESA (Note 17.b)	0	2,066
Other (1)	<u>8,012</u>	<u>8,448</u>
	<u>8,012</u>	<u>10,514</u>
<b>Non-current:</b>		
ENRE penalties (Note 17 a and b)	377,456	331,613
Program for the rational use of electric power (PUREE)	233,319	33,494
Other (2)	<u>0</u>	<u>3,903</u>
	<u>610,775</u>	<u>369,010</u>

(1) Includes 1,370 and 1,292 in foreign currency (Exhibit G) as of December 31, 2009 and 2008, respectively.

Additionally, includes 3,744 and 4,373 related to the software lease agreement (Note 3.g) as of December 31, 2009 and 2008, respectively.

(2) Software lease agreement (Note 3.g).

## 11. NET SALES

The breakdown of net sales for the years ended December 31, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Sales of electricity (1)	2,035,845	1,966,017
Late payment charges	20,686	17,764
Right of use on poles (Note 3.n)	13,582	10,463
Connection charges	5,700	3,729
Reconnection charges	<u>2,047</u>	<u>2,225</u>
	<u>2,077,860</u>	<u>2,000,198</u>

(1) Net of ENRE discounts and penalties for 58,500 and 34,775 for the years ended December 31, 2009 and 2008, respectively (Note 17 a and b). As of December 31, 2008, includes 84,585 related to the application of the Cost Monitoring Mechanism (MMC) (Note 17.a).

## 12. OTHER INCOME (EXPENSE) - NET

The breakdown of other income (expense) - net for the years ended December 31, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Non-operating income	4,529	8,392
Commissions on municipal taxes collection	3,844	2,291
Net expense from technical services	(785)	(1,566)
Voluntary Retirements - Bonuses	(5,381)	(31,334)
Severance paid	(4,419)	(4,228)
Accrued litigation (Exhibit E)	(15,500)	(19,900)
Disposal of property, plant and equipment	(2,748)	(1,910)
Recovery of allowance for doubtful accounts (1)	21,236	14,087
Net recovery of accrued litigation (2)	23,431	0
Other	<u>(917)</u>	<u>4,343</u>
	<u>23,290</u>	<u>(29,825)</u>

(1) Related to the Framework Agreement (Note 13, Exhibits E and H).

(2) Related to the Company's adherence to the tax regularization plan (Exhibit E and Note 3.i).

## 13. FRAMEWORK AGREEMENT

On January 10, 1994, the Company, together with EDESUR S.A., the Argentine Federal Government and the Government of the Province of Buenos Aires signed a Framework Agreement aimed at resolving the issue of supplying electricity to low-income areas and shantytowns. Pursuant to such Framework Agreement, the Company is entitled to receive compensation from a Special Fund for any non-payments of electricity supplied to low-income areas and shantytowns.

As permitted by section 13 of the Agreement, which stipulated that the terms and conditions of the Agreement could be subject to review and/or adjustments under certain circumstances, and taking into account that not all of the objectives of the Agreement could be completely fulfilled within the originally stipulated period, although most of them had been accomplished, and considering also that new shantytowns had appeared which had to be recognized, the parties agreed to extend the term of the Agreement for an additional fifty-month period ending August 31, 2002. During such additional period the original provisions of the Framework Agreement and the Regulations continued to be in effect. Furthermore, a new population census was conducted so as to identify those shantytowns which up to then had not been recognized.



On October 6, 2003, the Company signed a new Framework Agreement with the Argentine Federal Government and the Government of the Province of Buenos Aires, whose purpose was similar to that of the previous agreement, and which retroactively covered all the services provided as from September 1, 2002. The term of the new framework agreement was four years to commence as from January 1, 2003 and could be renewed for another four-year term should the parties so agree. The aforementioned Framework Agreement expired on December 31, 2006

On October 26, 2006, the Company entered into a Payment Plan Agreement with the Government of the Province of Buenos Aires which establishes the conditions according to which the Province of Buenos Aires will honor its obligation to the Company amounting to 27,114, for the period September 2002 through June 2006, which the Province agrees to verify in accordance with the provisions of chapter VI - section 13 and related sections- of the Fund Regulations of the New Framework Agreement. Furthermore, the Province agrees to pay the debt resulting from the aforementioned verification, in 18 equal, consecutive and monthly installments.

As of December 31, 2009 and 2008, the balance corresponding to the aforementioned payment plan agreement amounts to 2,292 (Note 4).

On September 22, 2008, the *Official Gazette* published Resolution No. 900/2008 of the Ministry of Federal Planning, Public Investment and Services which ratifies the Addendum to the New Framework Agreement entered into by the Federal Government and the Company, according to which the term of the agreement is renewed for a period of four years to commence as from January 1, 2007.

Furthermore, on March 11, 2009, by Resolution No. 158/2009, the ENRE approves the extension of the regulations established in the Addendum to the new Framework Agreement in the terms of Resolution No. 22/2004.

On June 18, 2009, the *Official Gazette* of the Province of Buenos Aires published Decree No. 732, which ratifies the Addendum to the New Framework Agreement entered into by the Government of the Province of Buenos Aires and the Company, according to which the term of the agreement is renewed for a period of four years to commence as from January 1, 2007 (Note 12, and Exhibits E and H).

During November and December 2009, the Company received payments from the Argentine Federal Government for a total of 20,000.

As of December 31, 2009 and 2008, the balances with the Argentine Federal Government and the Government of the Province of Buenos Aires for this concept amount to 54,823 and 49,390, respectively (Notes 3.c and 4). Due to the fact that the Framework Agreement has been totally ratified, the Company has provided the ENRE with the documentation to validate the amounts to be collected for this concept and has initiated the corresponding collection proceedings.

#### **14. CORPORATE NOTES PROGRAM**

##### **RESTRUCTURING OF FINANCIAL DEBT**

On January 19, 2006, the Board of Directors approved the launching of a solicitation of consent for the restructuring of the Company's financial debt through the exchange of such debt for a combination of cash and notes (the Restructuring) pursuant to a voluntary exchange offer (the Voluntary Exchange Offer) and/or an out-of-court reorganization agreement (*Acuerdo Preventivo Extrajudicial*) (the APE).

The restructuring of the Company's debt was carried out throughout the fiscal year ended December 31, 2006. As a result of the restructuring process, the defaulted debt prior to the restructuring, which amounted to US\$ 540.9 million as of February 22, 2006, was reduced to US\$ 376.4 million, with an average term of more than 8 years, at an average cost of 8% and final maturity in 2019.

On February 23, 2006, the Annual General Meeting approved the extension of the Global Medium-Term Corporate Notes Issuance Program for a Maximum Amount (outstanding at any time) of up to US\$ 600 million (or its equivalent in any other currency). Said extension was also approved by the CNV through Resolution No. 15,359 issued by the CNV's Board of Directors on March 23, 2006.

In the meeting held on June 14, 2007, the Company's Board of Directors approved the updating of the Trust Agreement for the issuance of corporate notes that had been duly approved by the CNV, as required by section 76 of Chapter VI of the CNV's Regulations.

On June 28, 2007, the Company's Board of Directors' meeting approved the issuance and public offering, within the framework of the Program and under the terms of Law No. 23,576 as amended, of fixed rate Corporate Notes for a nominal value of up to US\$ 250 million with maximum maturity in 2017. On October 9, 2007, the Company issued and carried out the public offering of Class 7 Corporate Notes for US\$ 220 million. The 10-year term Corporate Notes were issued at an issue price of 100% of the principal amount, and accrue interest as from the date of issuance at a fixed rate of 10.5% per annum, payable on April 9 and October 9 of each year, with the first interest payment maturing on April 9, 2008. The principal will be amortized by a lump sum payment at maturity date on October 9, 2017. The Company has requested authorization for the trading of the Corporate Notes on the Buenos Aires Stock Exchange, the Mercado Abierto Electrónico S.A. (the OTC market of Argentina), the Luxembourg Stock Exchange, and the Euro MTF Market, which is the alternative market of the Luxembourg Stock Exchange. Furthermore, the Company may request authorization for the listing of the Corporate Notes on the PORTAL Market as well as authorization for their trading and/or negotiation on any other stock exchange and/or self-regulated market of Argentina and/or abroad.

Most of the net proceeds from the sale of the Corporate Notes were used for the purchase, payment or redemption of the Company's outstanding Discount Corporate Notes due in 2014.

Furthermore, on April 13, 2009, the Company's Board of Directors approved the issuance and public offering, within the framework of the Program and under the terms of Law No. 23,576, as amended, of floating rate Corporate Notes for a nominal value of up to 150,000 with maximum maturity in 2013.

On May 7, 2009, the Company issued and carried out the public offering of Class 8 Corporate Notes for 75,700. The four-year term corporate notes were issued at an issue price of 100% of the principal amount and accrue interest as from the date of issuance at a floating private BADLAR rate plus a spread of 6.75%, payable quarterly on May 7, August 7, November 7 and February 7 of each year, with the first interest payment maturing on August 7, 2009.

The principal will be amortized in 13 consecutive and quarterly installments, with the first installment maturing on May 7, 2010.

The Company has requested authorization for the listing of the Corporate Notes on the Buenos Aires Stock Exchange (BCBA) and admission for trading on the Mercado Abierto Electrónico S.A. (the OTC market of Argentina).

The Company used the net proceeds from the sale of the Corporate Notes to finance the capital expenditures plan.

During the years ended December 31, 2009, 2008 and 2007, the Company purchased at market prices and in successive operations all "discount notes" and part of the "fixed rate par notes" due in 2016 and 2017, for nominal values of US\$ 86,038 thousand, US\$ 50,033 thousand and US\$ 283,726 thousand, respectively.

Therefore, the Company's debt structure as of December 31, 2009 and 2008 was comprised of the following Notes:

Debt issued in United States dollars:

Type	Class	Debt structure as of December 31, 2008 in thousands of US\$	Debt purchase as of December 31, 2009 in thousands of US\$	Debt structure as of December 31, 2009 in thousands of US\$	Balance as of Dec 31, 2009 (Note 7) in thousands of pesos
Fixed Rate Par Note	A	43,140	(27,853)	15,287	58,091
	B	4,375	(4,375)	0	0
Floating Rate Par Note	A	12,656	0	12,656	48,093
Discount Note	A	0	0	0	0
	B	0	0	0	0
Fixed Rate Par Note	7	202,500	(53,810)	148,690	565,022
Total		262,671	(86,038)	176,633	671,205

As of December 31, 2009 and 2008, the Company has in its portfolio Class 7 fixed rate par notes for nominal values of US\$ 65,310 thousand –includes corporate notes for US\$ 24,515 thousand transferred as a consequence of the dissolution of the Discretionary Trust (Note 22)- and US\$ 11,500 thousand, respectively.

Debt issued in Argentine pesos:

Type	Class	Debt issuance as of May 7, 2009 in thousands of pesos	Balance as of Dec 31, 2009 (Note 7) in thousands of pesos
Floating Rate Par Note	8	75,700	75,700
Total		75,700	75,700

Debt issued in United States dollars:

Type	Class	Initial debt structure in thousands of US\$	Debt purchase 2007 fiscal year in thousands of US\$	Debt purchase 2008 fiscal year in thousands of US\$	Post-purchase debt structure in thousands of US\$	Balance as of Dec. 31, 2008 (Note 7) in thousands of pesos
Fixed Rate Par Note	A	73,485	(998)	(29,347)	43,140	148,960
	B	50,289	(42,728)	(3,186)	4,375	15,107
Floating Rate Par Note	A	12,656	0	0	12,656	43,701
Discount Note	A	152,322	(152,322)	0	0	0
	B	87,678	(87,678)	0	0	0
Fixed Rate Par Note	7	220,000	0	(17,500)	202,500	699,232
Total		596,430	(283,726)	(50,033)	262,671	907,000

The principal amortization schedule broken down by year of total debt, without considering possible adjustments, prepayments, redemptions or cancellations is detailed in the table below:

<u>Year</u>	<u>Amount</u>
2010	17,465
2011	31,501
2012	31,501
2013	19,881
2014	8,216
2015	8,216
2016	31,449
2017	569,830
2018	4,811
2019	<u>24,036</u>
	<u>746,906</u>

The main covenants are the following:

1) Negative Covenants

The terms and conditions of the Corporate Notes include a series of negative covenants that limit the Company's actions with regard to, among others, the following:

- encumbrance or authorization to encumber its property or assets;
- incurrence of indebtedness, in certain specified cases;
- sale of the Company's assets related to its main business;
- carrying out of transactions with shareholders or related parties;
- making certain payments (including, among others, dividends, purchases of Edenor's common shares or payments on subordinated debt).

2) Suspension of Covenants

Certain negative covenants stipulated in the trust agreement will be suspended or adjusted if:

- (a) The Company's long-term debt rating is raised to Investment Grade, or
- (b) The Company's Level of Indebtedness is equal to or lower than 2.5.

If the Company subsequently losses its Investment Grade rating or its Level of Indebtedness is higher than 2.5, as applicable, the suspended negative covenants will be once again in effect.

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

3) Registration Rights

In accordance with the Registration Rights Agreement, the Company filed with the SEC an application requesting authorization in connection with an authorized exchange offer of the Corporate Notes for new notes of the same class registered with the SEC in accordance with the Securities Act, representing the same outstanding debt and subject to similar terms and conditions.

The exchanged corporate notes would have no restrictions concerning their transfer and would be freely transferable after the authorized exchange offer by those Corporate Notes holders who are not related parties of the Company.

On April 13, 2009, the Company informed the National Securities Commission that under rule 144 of the US Securities Act of 1933, as amended, the Class 7 Corporate Notes due in 2017 had become freely transferable to and from any person who is not a related company of Edenor.

Consequently, the Company has entered into a complementary agreement in order to exchange the Regulation S Global Corporate Note (issued for a nominal value of US\$ 160,250 thousand) and the Restricted Global Corporate Note (issued for a nominal value of US\$ 59,750 thousand), both of them issued within the framework of the trust agreement, for one fully registered “Global Corporate Note” with no interest coupons attached for a nominal value of US\$ 220,000 thousand, which will not bear the restrictive legend, as defined under the trust agreement entered into on October 9, 2007.

#### 15. **BALANCES AND TRANSACTIONS WITH THE CONTROLLING COMPANY AND RELATED PARTIES**

In the normal course of business, the Company carries out transactions with the controlling company and related parties.

As of December 31, 2009 and 2008, the outstanding balances with the controlling company and related parties are as follow:

	<u>2009</u>	<u>2008</u>
<u>Current investments</u> (Exhibit D)		
Central Térmica Güemes	0	393
<b>Total</b>	<b>0</b>	<b>393</b>
<u>Other receivables</u> (Note 5)		
Electricidad Argentina S.A.	1	1
SACME S.A.	1,603	448
<b>Total</b>	<b>1,604</b>	<b>449</b>
<u>Trade accounts payable</u> (Note 6)		
Errecondo, Salaverri, Dellatorre, Gonzalez & Burgio	0	(6)
SACME S.A.	(1,000)	(910)
Préstamos y Servicios S.A.	0	(7)
<b>Total</b>	<b>(1,000)</b>	<b>(923)</b>
<u>Non-Current Investments</u> (Exhibit D)		
Central Térmica Güemes	0	10,784
<b>Total</b>	<b>0</b>	<b>10,784</b>

Transactions carried out with the controlling company and related parties for the years ended December 31, 2009 and 2008 are as follow:

	<u>2009</u>	<u>2008</u>
<u>Other income</u>		
Electricidad Argentina S.A.	10	9
Préstamos y Servicios S.A.	9	2
<b>Total</b>	<b>19</b>	<b>11</b>
<u>Expenses from services</u>		
SACME S.A.	(5,068)	(4,256)
Electricidad Argentina S.A.	0	(224)
Préstamos y Servicios S.A.	(415)	(42)
Errecondo, Salaverri, Dellatorre, Gonzalez & Burgio	(70)	(220)
<b>Total</b>	<b>(5,553)</b>	<b>(4,742)</b>

	<b>2009</b>	<b>2008</b>
<u>Financial expenses and interest</u>		
Electricidad Argentina S.A.	(9,306)	(7,898)
Errecondo, Salaverri, Dellatorre, Gonzalez & Burgio	(145)	(160)
<b>Total</b>	<b>(9,451)</b>	<b>(8,058)</b>

#### **Agreement with Electricidad Argentina S.A. (controlling company)**

On April 4, 2006, the Company and EASA entered into an agreement pursuant to which EASA will provide technical advisory services on financial matters as from September 19, 2005 and for a term of five years. In consideration of these services, EDENOR will pay EASA an annual amount of US\$ 2,000,000 plus VAT. 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.

At the meeting held on April 22, 2008, the Board of Directors approved the addendum to the agreement for the provision of technical advisory services dated March 14, 2008.

The aforementioned addendum stipulates that the amount to be paid by the Company in consideration of the services provided by Electricidad Argentina S.A. has been increased to US\$ 2,500,000 plus VAT, payable retroactively as from January 1, 2008. The rest of the contractual terms have not been modified.

#### **Agreement with Comunicaciones y Consumos S.A.**

On March 16, 2007, the Company and Comunicaciones y Consumos S.A. (CYCSA) entered into an agreement 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. 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 twenty years by virtue of an addendum to the agreement. The agreement will be automatically renewed upon expiration date for subsequent periods of five years, unless notice to the contrary is given by any of the parties no less than 120 days prior to the expiration of the corresponding period. In accordance with the agreement, CYCSA shall periodically request access to the Company's network. Such request will be evaluated by the Company and access will be granted based on the available capacity of the network. In consideration of the use of the network, CYCSA will grant the Company 2% of the annual charges collected from customers, before taxes, as well as 10% of the profits obtained from provision of services. Furthermore, CYCSA will indemnify the Company for any obligation arising from the rendering of the services through the Company's network. The agreement was signed on condition that CYCSA was to obtain the telecommunications license, which was granted by the National Telecommunications Secretariat through Resolution No. 179/2008.

Furthermore, the first addendum to the Agreement for the Granting of Permission for the Use of Electricity Distribution Network was signed on October 27, 2008. Pursuant to this addendum, the Company granted CYCSA the right to use the poles and towers of High, Medium and Low-voltage overhead lines and the ducts and/or triple ducts accompanying High, Medium and Low-voltage ducts for the laying of optical fiber owned by CYCSA, on condition that the referred to optical fiber does not affect the normal supply of the public service. Moreover, said addendum grants Edenor the right to use part of the capacity of the optical fiber to be installed. It must be pointed out that the aforementioned addendum was approved by the Company's Board of Directors at the meeting held on November 5, 2008.

During November 2008, the Company and CYCSA entered into the second addendum to the agreement, which modifies section XI of the main agreement (Term of the Agreement), thus extending the term of the agreement from ten to twenty years to commence from the date on which it went into effect. The aforementioned addendum was approved by the Company's Board of Directors on December 18, 2008.

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

On March 16, 2007, the Company entered into an agreement with Préstamos y Servicios S.A. (PYSSA), a company engaged in the rendering of financial services, pursuant to which the Company granted PYSSA the exclusive right to conduct its direct and marketing services through the use of the Company's facilities and mailing services. As part of the agreement, the Company agreed to provide physical space in some of its offices so that PYSSA be able to offer financial and loan services to Company customers. Furthermore, the Company agreed to include PYSSA marketing material in the mail sent to customers, including the invoices. The term of the agreement is five years, which will be automatically renewed for subsequent periods of five years, unless any of the parties gives notice to the other of his intention to terminate the agreement no less than 120 days prior to the expiration of the corresponding period. In accordance with the terms of the agreement, PYSSA will pay the Company 2% of the monthly charges collected from customers, before taxes, as well as 10% of the profits obtained from its services. Furthermore, PYSSA agreed to indemnify the Company for any obligation arising from the rendering of its services. The agreement established that its term was subject to the authorization of the ENRE, which approved this through Resolution No. 381/2007.

The activities related to the aforementioned agreement have been temporarily suspended in the Company's offices as a consequence of the international financial crisis and its impact on that specific segment of the economy.

## **16. CAPITAL STOCK**

### **a) General**

As of December 31, 2009 and 2008, the Company's capital stock 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.

As of December 31, 2009 and 2008, the Company owns 9,412,500 Class B treasury shares.

### **b) Restriction on the transfer of the Company's common shares**

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

Furthermore, Caja de Valores S.A. (the Public Register Office), which keeps the Share Register of the shares, is entitled (as stated in the Company's 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 are pledged during the entire term of the concession as security for the performance of the obligations assumed under the Concession Agreement.

Additionally, in connection with the issuance of Class 2 Corporate Notes, EASA is required to be the beneficial owner and owner of record of not less than 51% of EDENOR's issued, voting and outstanding shares.

Section ten of the Adjustment Agreement signed with the Grantor of the Concession and ratified through Decree No. 1957/06 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.

**c) Employee Stock Ownership Program (ESOP)**

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 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. As of the date of payment of the deferred purchase price, the Guarantee and Repurchase Fund had not fully paid the amounts due to former ESOP participating employees for the transfer of their Class C shares.

A number of former employees of both SEGBA and the Company have brought legal actions against the Guarantee and Repurchase Fund, the Argentine Government and, in few cases, against the Company, in cases in relation to the administration of the Employee Stock Ownership Program. The plaintiffs who are former employees of SEGBA were not deemed eligible by the corresponding authorities to participate in the Employee Stock Ownership Program at the time of its creation. This decision is being disputed by the plaintiffs who are therefore seeking compensation. The plaintiffs who are former employees of the Company are claiming payment for the unpaid amounts owed to them by the Guarantee and Repurchase Fund either due to non-payment of the transfer of their shares upon retirement in favor of the Guarantee and Repurchase Fund or incorrect calculation of amounts paid to them by the Guarantee and Repurchase Fund. In several of these claims, the plaintiffs have obtained attachment orders or preliminary 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 accrual has been recorded in the financial statements in connection with the legal actions brought against the Company as the Company's management believes that EDENOR 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. As of December 31, 2009 and 2008, 1,952,604 Class C shares, representing 0.22% of the Company's capital stock are outstanding (Notes 1 and 16.a).



**d) Absorption of unappropriated retained earnings:**

On March 31, 2009 the General Annual Meeting resolved that the income for the 2008 fiscal year be absorbed by the Unappropriated retained earnings account:

- Income for the 2008 fiscal year	123,115
- Acquisition of treasury stock (Note 1)	(6,130)
- Legal Reserve (5% of the income for the year) (Note 24)	(6,156)
- Unappropriated retained earnings for the 2008 fiscal year	110,829

**17. REGULATORY FRAMEWORK**

**a) General**

The Company's business is regulated by Law No. 24,065, which created the National Regulatory Authority for the Distribution of Electricity (ENRE). In this connection, the Company is subject to the regulatory framework provided under the aforementioned Law and the regulations issued by the ENRE.

The ENRE is empowered to: a) approve and control tariffs, and b) control the quality of both the service and the technical product, as established in the Concession Agreement. Failure to comply with the provisions of such Agreement and the rules and regulations governing the Company's business will make the Company liable to penalties that may include the forfeiture of the concession.

As from September 1, 1996, there has been a change in the methods applied to control the quality of both the product and the service provided by the Company. Within this new framework, compensation between areas and circuits of different quality is not allowed, instead, the specific quality provided to individual customers, rather than an average customer value must be measured. As a result, fines will be credited to users affected by service deficiencies in future bills. Penalties are imposed in connection with the following major issues:

1. Deviation from quality levels of technical product, as measured by voltage levels and network variations;
2. Deviation from quality levels of technical service, as measured by the average interruption frequency per Kilovattios (KVA) and total interruption time per KVA;
3. Deviation from quality levels of commercial service, as measured by the number of claims and complaints made by customers, service connection times, the number of estimated bills and billing mistakes;
4. Failure to comply with information gathering and processing requirements so as to evaluate the quality of both the technical product and the technical service;
5. Failure to comply with public safety regulations.

As of December 31, 2009 and 2008, the Company has accrued penalties for resolutions not yet issued by the ENRE corresponding to the six-month control periods elapsed over those dates. As of December 31, 2008, the Company has applied the adjustment contemplated in the temporary tariff regime (caption b item vii) and the adjustments established by the electricity rate schedules applied during the 2008 fiscal year, Resolutions Nos. 324/2008 and 628/2008 (Note 17.b).

As of December 31, 2009 and 2008, liabilities for penalties amounting to 377,456 and 331,613, respectively, have been included in other non-current liabilities (Note 10).

In addition, as of December 31, 2009, 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.

Moreover, on July 12, 2006 the National Energy Secretariat issued Resolution No. 942/2006 which modifies the allocation of any excess funds resulting from the difference between surcharges billed and discounts made to customers, deriving from the implementation of the Program for the Rational Use of Electric Power (PUREE), which provides for the application of both tariff incentives and penalties aimed at encouraging customers to reduce consumption. As from July 1, 2006, such excess funds may be applied against the amounts receivable that the Company maintains in the Trade receivables account as Unbilled –National Fund of Electricity, for “Quarterly Adjustment Coefficient of the National Fund of Electricity” (section 1 of Law No. 25,957) for 2,840 and 2,812 as of December 31, 2009 and 2008, respectively (Note 4). On August 10, 2006 the ENRE issued Resolution No. 597/2006 which regulates the aforementioned Resolution No. 942/2006 of the National Energy Secretariat and establishes the compensation mechanism to be used.

On October 4, 2007 the *Official Gazette* published Resolution No. 1037/2007 of the National Energy Secretariat. Said resolution establishes that the amounts paid by the Company for the Quarterly Adjustment Coefficient (CAT) implemented by Section 1 of Law No. 25,957, as well as the amounts corresponding to the Cost Monitoring Mechanism (MMC) for the period May 2006 through April 2007 (Note 17.b items b and c) be deducted from the funds resulting from the difference between surcharges billed and discounts made to customers, resulting from the implementation of the Program for the Rational Use of Electric Power (PUREE), until their transfer to the tariff is granted by the regulatory authority. The resolution also establishes that the MMC adjustment for the period May 2006 through April 2007, applicable as from May 1, 2007, amounts to 9.63 %.

Additionally, on October 25, 2007 the ENRE issued Resolution No. 710/2007 which approves the MMC compensation mechanism established in the aforementioned Resolution No. 1037/2007 of the National Energy Secretariat.

The amounts corresponding to the Cost Monitoring Mechanism (MMC) for the period May 2006 through April 2007 as well as those corresponding to the period May 2007 through October 2007 were transferred to the tariff as from July 1, 2008, in accordance with the provisions of Resolution No. 324/2008 (Note 17.b).

By Note No. 1383 dated November 26, 2008 of the National Energy Secretariat, the ENRE was instructed to consider the earmarking of the funds deriving from the application of the Cost Monitoring Mechanism (MMC) corresponding to the period May 2007 through October 2007 whose recognition was pending, and to allow that such funds be deducted from the excess funds deriving from the application of the Program for the Rational Use of Electric Power (PUREE), in accordance with the provisions of Resolution No. 1037/2007 of the National Energy Secretariat. The MMC adjustment for the period May 2007 through October 2007, applicable as from November 1, 2007, amounts to 7.56 %.

Additionally, as of December 31, 2009, the Company has submitted to the National Regulatory Authority for the Distribution of Electricity the MMC adjustment requests, in accordance with the following detail:

<b>Assessment Period</b>	<b>Application Date</b>	<b>MMC Adjustment</b>
November 2007 - April 2008	May 2008	5.791%
May 2008 – October 2008	November 2008	5.684%
November 2008 - April 2009	May 2009	5.068%
May 2009 – October 2009	November 2009	5.041%

As of the date of issuance of these financial statements, the approval of the aforementioned adjustments by the National Regulatory Authority for the Distribution of Electricity is still pending.

## **b) Concession**

The term of the concession is 95 years and may be extended for an additional maximum period of 10 years. The term of the concession is divided into management periods: a first period of 15 years and subsequent periods of 10 years. At the end of each management period, the Class “A” shares representing 51% of EDENOR’s capital stock, currently held by EASA, must be offered for sale through a public bidding. If EASA makes the highest bid, it will continue to own 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 must pay EASA the amount of the bid in accordance with the conditions of the public bidding. The proceeds from the sale of Class "A" shares will be delivered to EASA after deducting any amounts receivable to which the Grantor of the concession may be entitled.

In accordance with the provisions of the Concession Agreement, the Company shall take the necessary measures to guarantee the supply and availability of electricity so as to meet demand in due time and in accordance with stipulated quality levels, for which purpose the Company shall be required to guarantee sources of supply.

For such purpose, 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 Electric Power Wholesale Market (MEM), thus being obliged to supply all the electric power that may be required. In addition, the Company shall 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 denominated in US dollars or any other foreign currencies, indexation clauses based on price indexes from other countries, 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 requirements into account.

In accordance with the provisions of Laws Nos. 25,972, 26,077, 26,204, 26,339, 26,456 and 26,563 both the declaration of economic emergency and the period to renegotiate public utility contracts were extended through December 31, 2005, 2006 2007, 2008, 2009 and 2011, respectively.

As a part of the renegotiation process, the Unit of Renegotiation and Analysis of Public Utility Contracts (UNIREN) proposed the signing of an Adjustment Agreement that would be the basis of a comprehensive renegotiation agreement of the Concession Agreement. The Company satisfied the regulatory agency's requirements; provided an answer to the proposal and attended the public hearing convened for such purpose, rejecting in principle the proposal on the grounds that it did not properly address the need to redefine the terms of the agreement as contemplated by the law. Nevertheless, the Company ratified its willingness to reach an understanding that would restore the financial and economic equation of the concession agreement. On September 21, 2005, the Company signed the Adjustment Agreement within the framework of the process of renegotiation of the Concession Agreement set forth in Law No. 25,561 and supplementary regulations. Due to the appointment of a new Economy and Production Minister, on February 13, 2006 a new copy of the Adjustment Agreement was signed under the same terms as those stipulated in the agreement signed on September 21, 2005.

The Adjustment Agreement establishes the following:

- i) the implementation of a Temporary Tariff Regime (RTT) effective as from November 1, 2005, including a 23% average increase in the distribution margin, which may not result in an increase in the average tariff of more than 15%, and an additional 5% average increase in the value added distribution (VAD), allocated to certain specified capital expenditures;
- ii) the requirement that during the term of said temporary tariff regime, dividend payment be subject to the approval of the regulatory authority;
- iii) the establishment of a "social tariff" for the needy and the levels of quality of the service to be rendered;
- iv) the suspension of the claims and legal actions filed by the Company and its shareholders in national or foreign courts due to the effects caused by the Economic Emergency Law;
- v) the carrying out of a Revision of the Company Tariff Structure (RTI) which will result in a new tariff regime that will go into effect on a gradual basis and remain in effect for the following 5 years. In accordance with the provisions of Law No. 24,065, the National Regulatory Authority for the Distribution of Electricity will be in charge of such review;
- vi) the implementation of a minimum investment plan in the electric network for an amount of 178.8 million to be fulfilled by EDENOR during 2006, plus an additional investment of 25.5 million

- should it be required (item f below);
- vii) the adjustment of the penalties imposed by the ENRE that are payable to customers as discounts, which were notified by such regulatory agency prior to January 6, 2002 as well as of those that have been notified, or whose cause or origin has arisen in the period between January 6, 2002 and the date on which the Adjustment Agreement goes into effect;
  - viii) the waiver of the penalties imposed by the ENRE that are payable to the Argentine State, which have been notified, or their cause or origin has arisen in the period between January 6, 2002 and the date on which the Adjustment Agreement goes into effect;
  - ix) the payment term of the penalties imposed by the ENRE, which are described in item vii above, is 180 days after the approval of the Revision of the Company Tariff Structure (RTI) in fourteen semiannual installments, which represent approximately two-thirds of the penalties imposed by the ENRE before January 6, 2002 as well as of those that have been notified, or whose cause or origin has arisen in the period between January 6, 2002 and the date on which the Adjustment Agreement goes into effect, subject to compliance with certain requirements.

Said agreement was ratified by the Federal Executive Power through Decree No. 1957/06, signed by the President of Argentina on December 28, 2006 and published in the *Official Gazette* on January 8, 2007. This agreement stipulates the terms and conditions that, upon compliance with the other procedures required by the regulations, will be the fundamental basis of the Comprehensive Renegotiation of the Concession Agreement of 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. 51/2007 of the ENRE which approves the electricity rate schedule resulting from the RTI applicable to consumption recorded as from February 1, 2007. This document provides for the following:

- a) A 23% average increase in distribution costs, service connection costs and service reconnection costs in effect which the Company collects as the holder of the concession of the public service of electric power distribution, except for the residential tariffs;
- b) Implementation of an additional 5% average increase in distribution costs, to be applied to the execution of the works and infrastructure plan detailed in Appendix II of the Adjustment Agreement. In this regard, the Company has set up the required fund, which as of December 31, 2009 amounts to 71,897. This amount is net of the amounts transferred to CAMMESA for 45,824;
- c) Implementation of the Cost Monitoring Mechanism (MMC) contemplated in Appendix I of the Adjustment Agreement, which for the six-month period beginning November 1, 2005 and ending 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;
- d) 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 (items i) and ii) above) and from May 1, 2006 through January 31, 2007 (item iii) above);
- e) Invoicing of the differences corresponding to deviations between foreseen physical transactions and those effectively carried out and of other concepts related to the Wholesale Electric Power Market (MEM), such as the Specific fee payable for the Expansion of the Network, Transportation and Others, included in Trade Receivables under Receivables from sales of electricity as Unbilled (Note 4);
- f) 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.

The Company has recorded the adjustment of the penalties described in the Adjustment Agreement for an amount of 17,162 as of December 31, 2008, which is equivalent to the tariff increases mentioned in the items above.

Revenues from the retroactive tariff increase deriving from the implementation of the new electricity rate schedule applicable to non-residential consumption for the period of November 2005 through January 31, 2007 have been fully recognized in the financial statements for the year ended December 31, 2007. Such amount, which totaled 218,591, is being invoiced in 55 equal and consecutive monthly installments, as described in item b) of paragraph d) of this note. As of December 31, 2009, the installments

corresponding to the months of February 2007 through December 2009 for a total of 149,405 have already been billed.

On April 30, 2007, the *Official Gazette* published Resolution No. 434/2007 of the National Energy Secretariat which adjusts the time periods set forth in the Adjustment Agreement signed by the Company and the Grantor of the Concession and ratified by Decree No. 1957 of the Federal Government dated December 28, 2006.

In this regard, the aforementioned Resolution provides that the contractual transition period established in the Adjustment Agreement will be in effect from January 6, 2002 to the date on which the Revision of the Company Tariff Structure (RTI) established in the aforementioned Adjustment Agreement goes into effect.

Furthermore, the Resolution establishes that the new electricity rate schedule resulting from the RTI will go into effect on February 1, 2008. It also stipulates that, in the event that the tariff resulting from the RTI is higher than the tariff established in section 4 of the Adjustment Agreement, the transfer of the increase to the tariff will be made in accordance with the provisions of section 13.2 of the Adjustment Agreement, which establish that the first adjustment will take effect as from February 1, 2008 and the second will take effect six months later, maintaining the percentages agreed upon in the Adjustment Agreement.

The aforementioned Resolution No. 434/2007 establishes that the Company must present an investment plan before May 1, 2007 (which has already been complied with), and that the obligations and commitments set forth in section 22 of the Adjustment Agreement be extended until the date on which the electricity rate schedule resulting from the RTI goes into effect, allowing the Company and its shareholders to resume the claims suspended as a consequence of the Adjustment Agreement if the new electricity rate schedule does not go into effect in the aforementioned time period.

Furthermore, 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 Revision of the Company Tariff Structure (RTI) goes into effect. Its original maturity would have taken place on August 31, 2007.

On July 30, 2008, the National Energy Secretariat issued Resolution No. 865/2008 which modifies Resolution No. 434/2007 and establishes that the electricity rate schedule resulting from the Revision of the Company Tariff Structure (RTI) will go into effect in February 2009.

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

On September 19, 2007, the Energy Secretariat by Note No. 1006/07 requested that the Company comply with the provisions of Resolutions Nos. 1875 and 223/07 of the aforementioned Secretariat, dated December 5, 2005 and January 26, 2007, respectively.

In accordance with the aforementioned resolutions, the Company must transfer to CAMMESA, 61.96% of the total amount of the special fund set up in compliance with Clause 4.7 of the Adjustment Agreement, plus any interest accrued on the financial investments made by the Company with such funds. Such funds will be used for the execution of the works aimed at connecting Central Costanera and Central Puerto electricity generation plants with Malaver substation. The Company recorded 807 and 45,017 in Property, plant and equipment (Exhibit A) in the Construction in process account as of December 31, 2009 and 2008, respectively, and 2,066 in Other liabilities in the Capital Expenditures fund – CAMMESA account (Note 10) as of December 31, 2008.

On July 31, 2008, the National Regulatory Authority for the Distribution of Electricity issued Resolution No. 324/2008 which approves the values of the Company's electricity rate schedule that contemplates the partial application of the adjustments corresponding to the Cost Monitoring Mechanism (MMC) and their transfer to the tariff. The aforementioned electricity rate schedule increases the Company's value added distribution by 17.9% and has been applied to consumption recorded as from July 1, 2008.

Therefore, the increase in tariffs for final users has ranged from 0% to 30%, on average, depending on consumption.

Furthermore, on October 31, 2008, the National Energy Secretariat issued Resolution No. 1169/2008 which approved the new seasonal reference prices of power and energy in the Electric Power Wholesale Market (MEM).

Consequently, the ENRE issued Resolution No. 628/2008 which approves the values of the electricity rate schedule to be applied as from October 1, 2008.

The aforementioned electricity rate schedule includes the transfer of the increase in the seasonal energy price to tariffs, with the aim of reducing Federal Government grants to the electricity sector, without increasing the value-added of distribution of the Company

The National Ombudsman made a presentation against both the resolutions by which the new electricity rate schedule had gone into effect as from October 1, 2008 and the application of the Program for the Rational Use of Electric Power (PUREE).

Within the framework of the case, on January 27, 2009, the ENRE notified the Company of a preliminary injunction issued by the Court hearing the case as a consequence of the Ombudsman's presentation, according to which the Company is prohibited from cutting power due to the nonpayment of bills issued with the rate hike resulting from the application of the resolutions questioned by the Ombudsman, until a final ruling is issued on the case. The injunction has been appealed by the Company and the Argentine Federal Government. On September 1, 2009, Court Room V of the National Appellate Court in Federal Administrative Matters confirmed the first instance decision, thus maintaining in effect the preliminary injunction issued by the court of original jurisdiction. The Company filed an "Extraordinary appeal" against this decision, which was also rejected by the appellate court hearing the case. As a final recourse, on December 7, 2009, the Company filed an appeal ("*Queja por Recurso denegado*") to the Federal Supreme Court requesting that the extraordinary appeal rejected by the Appellate Court be sustained. The appeal ("*Queja por Recurso denegado*") is currently being analyzed by the Supreme Court. On July 1, 2009, notice of the proceedings in the matter of "National Ombudsman vs. Federal Government – Resolution No. 1169 and Others, proceeding to decide a legal issue" was served upon the Company, which the Company answered in due time and manner. On November 27, 2009, and within the framework of this case, the Court hearing the case decided to reject that a summons be served upon the firm CAMMESA as a third-party defendant that had been requested by the Company and EDELAP S.A. The Company, considering that said decision causes an irreparable harm filed in due time an appeal, which, as of the date of issuance of these financial statements, has not yet been granted.

On August 10, 2009, the National Regulatory Authority for the Distribution of Electricity issued Disposition No. 55/2009, which established a period for the review and analysis of both the application of Resolution No. 628/2008 of the ENRE –exceptions to the application of the electricity rate schedule- and the effects deriving from the implementation thereof. This review and analysis process consisted of the verification in situ in the three Electricity Distribution Companies of the correct application of the rate schedule in effect to, and the effective implementation of exceptions granted for, consumption recorded from May 2009 to the date of issuance of the aforementioned disposition, in the case of small-demand residential customers whose consumption exceeded 1,000 kWh bimonthly and/or 500 kWh per month. Furthermore, it was determined that during the period comprehended by the aforementioned process, Electricity Distribution Companies should not send bills corresponding to such period in those cases in which consumption exceeded 1,000 kWh bimonthly and/or 500 kWh per month.

On August 14, 2009, the Energy Secretariat issued Resolution No. 652/09 which ordered the suspension of the reference market prices of energy set forth in sections 6, 7 and 8 of Resolution No. 1169/08 of that Secretariat, and established new values for the periods June-July 2009 and August-September 2009, reinstating partial government grants to the electricity generation sector. Furthermore, the resolution also established the unsubsidized reference market prices of energy for the months of June and July 2009 and the quarter August-October 2009.

Consequently, on August 18, 2009, the Company was notified of Resolution No. 433/2009 of the ENRE, which approved the values of the Electricity Rate Schedules applicable to consumption recorded from midnight June 1, 2009, and midnight August 1, 2009. Additionally, the resolution also approved the values of the Electricity Rate Schedule with unsubsidized -full- tariffs applicable to consumption recorded

from midnight June 1, 2009, in accordance with the provisions of section 7 of Resolution No. 652/2009 of the Energy Secretariat.

The aforementioned resolution instructed Electricity Distribution Companies to issue new bills to those customers whose situation fell within the scope of the resolution, following the provisions of Resolution No. 628/2008 of the ENRE, this time applying the Electricity Rate Schedules approved in Resolution No. 433/09. In the case of bills that had already been paid, Electricity Distribution Companies were required to credit the corresponding adjustment against the amount payable in the next billing period.

Additionally, Electricity Distribution Companies were instructed to break down the variable charge in all the bills issued to customers into two concepts: "Unsubsidized Variable Charge" –full tariff- and "Federal Government Grant" –its value is the difference between the value arising from the full rate schedule and the subsidized rate schedule-. Moreover, the surcharges billed due to the application of the Program for the Rational Use of Electric Power (PUREE) had to be recalculated.

On September 3, 2009, the Company was notified of Resolution No. 666/2009 of the Energy Secretariat, which approved the winter quarterly rescheduling for the MEM for the period August 1, 2009 - October 31, 2009.

On September 29, 2009, the Company was notified of Resolution No. 469/09 of the ENRE, whereby the National Regulatory Authority for the Distribution of Electricity approved the values of the electricity rate schedule, with unsubsidized full tariffs to be applied as indicated in section 7 of Resolution No. 652/09 of the Energy Secretariat. Furthermore, Electricity Distribution Companies were instructed to include in the bills to be issued to small demand residential and general-use customers the fixed charges of the Electricity Rate Schedule approved by Resolution No. 469/09 of the ENRE under the legend "Unsubsidized Fixed Charge".

On October 26, 2009, notice of the complaint "CONSUMIDORES LIBRES COOP. LTADA. DE PROVISIÓN DE SERVICIOS DE ACCIÓN COMUNITARIA VS Federal Government – National Energy Secretariat – ENRE, proceedings to decide a legal issue" was served upon the Company. The complaint was filed by two consumer associations: CONSUMIDORES LIBRES COOP. LTADA. DE PROVISIÓN DE SERVICIOS DE ACCIÓN COMUNITARIA and the UNIÓN DE USUARIOS Y CONSUMIDORES against the Federal Government, the ENRE, EDESUR, EDELAP and EDENOR, and is pending in the National Court of Original Jurisdiction in Federal Administrative Matters Number 8, in charge of Justice Ms. Liliana Heiland, attorney-at-law (deputy). In accordance with the terms of the complaint, the associations for the defense of consumer rights, ADDUC and UNIÓN DE USUARIOS Y CONSUMIDORES EN DEFENSA DE SUS DERECHOS, have joined the complaint.

The remedies sought in the complaint are as follow:

- a) That all the last resolutions concerning electricity rates issued by the National Regulatory Authority for the Distribution of Electricity and the National Energy Secretariat be declared null and unconstitutional, and, in consequence whereof, that the amounts billed by virtue of these resolutions be refunded.
- b) That all the defendants be under the obligation to carry out the Revision of the Tariff Structure (RTI).
- c) That the resolutions issued by the Energy Secretariat that extend the transition period of the Adjustment Agreement be declared null and unconstitutional.
- d) That the defendants be ordered to carry out the sale process, through an international public bidding, of the class "A" shares, due to the fact that the Management Period of the Concession Agreement is considered over.
- e) That the resolutions as well as any act performed by a governmental authority that modify contractual renegotiations be declared null and unconstitutional.
- f) That the resolutions that extend the management periods contemplated in the Concession Agreement be declared null and unconstitutional.
- g) Subsidiarily, should the main claim be rejected, that the defendants be ordered to bill all customers on a bimonthly basis.

Additionally, it is requested that a preliminary injunction be issued with the aim of suspending the rate hikes established in the resolutions being questioned by the plaintiff. Subsidiarily, it is requested that the application of the referred to resolutions be partially suspended. Finally, it is also subsidiarily requested by the plaintiff that the application authority be ordered not to issue new increases other than within the framework of the Revision of the Tariff Structure process. As of to date, the Court has neither granted nor rejected that which has been requested. With regard to the subject matter of the action, it has been answered by the Company within the contemplated legal time period and in due manner.

With reference to that which has been previously mentioned, the objected to rate increases, with the exception of the one granted by Resolution No. 324/08 of the ENRE, do not have a direct impact on the added value distribution, inasmuch as they are the result of the transfer to the tariff of the higher generation costs ordered by the Grantor of the Concession. These generation increases are effective for the Company within the pass-through mechanism in the tariff.

On February 11, 2010 the Court hearing the case decided to turn into a regular process the proceeding that had been brought as an extraordinary summary proceeding, thus extending the time periods involved in the process. With regard to the preliminary injunction, on that date, the court ordered the carrying out of actions to add and clarify existing evidence, prior to taking any decision thereon.

With regard to the commencement of the Revision of the Tariff Structure, the ENRE has begun this process, and, on November 12, 2009, the Company submitted its revenue requirements proposal for the new period, which included the grounds and criteria based on which the request is made.

In connection with the process for the sale of the shares, the commencement thereof -in accordance with the provisions of Resolution No. 467/2007 of the ENRE- must take place when the five-year tariff period beginning after the ending of the RTI comes to an end. Additionally, the controlling shareholder - Electricidad Argentina S.A. - is authorized to present as bidder in the referred to process and if its offer is selected as the winning bid, the controlling company will not have to make any disbursement whatsoever to keep the control of Edenor.

#### **c) 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 gratuitous bailment 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 4,681 on September 25, 2009.

The form of payment stipulated in the aforementioned agreement establishes an advance payment of 1,170, which the Company made on September 25, 2009, and 48 installments of 104 for the remaining balance of 3,511. The installments include compensatory interest of 18.5% per annum under the French system, and are payable as from October 2009

As of December 31, 2009, principal owed for this concept amounts to 3,358, which has been recorded in Trade accounts payable under Other (Note 6).

As of the date of issuance of these financial statements, the Company has acquired for an amount of 12,765, nine of these properties whose gratuitous bailment contracts had expired. The title deeds of eight of these properties have been executed at a price of 12,375. As for the remaining property, a down payment of 117 has been made while the outstanding amount of 273 will be payable upon the execution of the title deed on a date to be set by the Ministry of Economy.



## 18. CASH FLOW INFORMATION

### a) Cash and cash equivalents:

For the preparation of the Statement of Cash Flows, the Company considers as cash equivalents all highly liquid investments with original maturities of three months or less.

	<u>As of</u> <u>December</u> <u>31, 2009</u>	<u>As of</u> <u>December</u> <u>31, 2008</u>	<u>As of</u> <u>December</u> <u>31, 2007</u>
Cash and Banks	8,685	6,061	3,459
Time deposits	27,191	0	12,087
Money market funds	80,055	88,548	0
Corporate notes and Shares	112,441	393	0
Notes receivable	0	0	85,652
Government bonds	0	30,717	0
Municipal bonds	0	680	0
Total cash and cash equivalents in the Statement of Cash Flows	<u>228,372</u>	<u>126,399</u>	<u>101,198</u>

### b) Interest paid and collected:

	<u>For the years ended</u> <u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Interest paid during the year	(101,793)	(94,162)
Interest collected during the year	32,230	6,872

## 19. INSURANCE COVERAGE

As of December 31, 2009, the Company carries the following insurance policies for purposes of safeguarding its assets and commercial operations:

<u>Risk covered</u>		<u>Amount insured</u>
Comprehensive (1)	US\$	526,323,332
Mandatory life insurance	\$	24,687,000
Additional life insurance	\$	64,625,540
Funeral and burial insurance	\$	54,860,000
Theft of securities	US\$	100,000
Vehicles (theft, third-party liability and damages)	\$	10,322,807
Land freight	US\$	2,000,000
Imports freight	\$	2,250,000

(1) Includes: fire, partial theft, tornado, hurricane, earthquake, earth tremors, flooding and debris removal from facilities on facilities providing actual service, except for high, medium and low voltage networks.

## 20. CLAIM OF THE PROVINCE OF BUENOS AIRES BOARD OF ELECTRIC POWER

On December 1, 2003, the Board of Electric Power of the Province of Buenos Aires (Board) filed a claim against EDENOR in the amount of 284,364 that includes surcharges and interest as of the date of the claim, and imposed penalties for an amount of 25,963, due to the Company's alleged failure to act as

collecting agent of certain taxes established by Decrees-law Nos. 7290/67 and 9038/78 from July 1997 through June 2001.

On December 23, 2003, the Company appealed the Board's decision with the Tax Court of the Province of Buenos Aires, which had the effect of temporarily suspending the Company's obligation to pay. Such appeals were filed on the grounds that the Federal Supreme Court had declared that the regulations established by the aforementioned Decrees-law were unconstitutional, as they were incompatible with the Province of Buenos Aires' commitment not to levy any taxes on the transfer of electricity.

On March 20, 2007, the Board of Electric Power of the Province of Buenos Aires amended the original complaint to include an additional claim in the amount of 7,720 that includes surcharges and interest as of the date of the claim for the period of July 2001 through June 2002, extending the claim to certain Company Directors.

On June 27, 2007, the Tax Court of the Province of Buenos Aires pronounced in favor of the appeal duly lodged by the Company, thus becoming final.

At the same time, on June 23, 2005, a petition for a declaratory judgment proceeding was filed with the Secretariat of Original Lawsuits of the Federal Supreme Court, so that the maximum authority clarify the condition of uncertainty generated by the provincial tax authorities' insistence on not honoring the commitment assumed by the Province in the Federal Pact, and their avoidance of the Federal Supreme Court's decisions. The aforementioned proceeding is still pending on the Federal Supreme Court.

Therefore, no accrual has been recorded for these claims as the Company's management, based on both the aforementioned pronouncement and the opinion of its legal advisors, believes that there exist solid arguments to support its position.

## **21. LEGAL ACTION FOR ALLEGED ENVIRONMENTAL POLLUTION**

On May 24, 2005, three of EDENOR's employees were indicted on charges of polychlorinated biphenyl (PCB)-related environmental contamination. In connection with this alleged violation, the judge ordered a preliminary attachment on the Company's assets in the amount of 150 million pesos to cover the potential cost of damage repair, environmental restoration and court costs. On May 30, 2005, the Company filed appeals against both the charges brought against its employees and the attachment order. On December 15, 2005, the Federal Court of Appeals of San Martín dismissed the charges against all three defendants and, accordingly, revoked the attachment order against the Company's assets. The decision of the Court of Appeals was based on the fact that the existence of environmental pollution could not be proved, and, in consequence whereof, established that the Trial Judge should order the acquittal of two ENRE public officers who had been indicted on related charges. An appeal against this decision was filed in the Tribunal de Casación (the highest appellate body for this matter), which on April 5, 2006 ruled that the appeal was not admissible.

On July 16, 2007, the Company was notified that on July 11, 2007 the Trial Judge ruled the definitive acquittal of all Company officials and employees that had been indicted in the case, thus ordering the closing of the case. This decision could be appealed.

After the filing of an appeal, on March 25, 2008, the Federal Court of Appeals of San Martín confirmed the decision rendered by the court of original jurisdiction that had ordered the acquittal of Messrs. Daniel José Lello, Luciano Pironio, Julio Adalberto Márquez, Francisco Ponasso, Henri Lafontaine, Henri Marcel Roger Ducre and Christian Rolland Nadal, as well as the acquittal of ENRE officers, Mr. Juan Antonio Legisa and Ms. María Cristina Massei.

In its decision, the appellate court, quoting the "Chazarreta" judgment as judicial precedent, stated that the right to defense at trial pursuant to due process, guaranteed by the Constitution, included the right to obtain a judgment that would put an end to the situation of uncertainty that implied criminal prosecution. Furthermore, the appellate court's decision also stated that if the Prosecutor, after a thorough investigation, was unable to transfer the presumption of guilt to the degree of certainty required for a declaration of criminal liability, the status of innocence should prevail.

Based on the foregoing, and considering that the preliminary investigation phase had ended, the Federal Court of Appeals ordered the confirmation of the aforementioned resolution.

It is worth mentioning that the dismissal ordered by the judge of original jurisdiction was appealed by the Prosecutor, who cited the possible dismissal of criminal action for being beyond the statute of limitations, as a grievance, among other possibilities, caused by the decision of the court.

However, after the filing of the corresponding legal briefs by the Company, the appellate court confirmed the decision of the court of original jurisdiction based on the aforementioned resolution of the Appellate Court, according to which the existence of PCB-related environmental pollution had not been proven.

The decision, whose reversal was requested by the Prosecutor's Office through an extraordinary appeal within the period of 10 days as from notice thereof had been served, was confirmed by the Federal Court of Appeals of San Martín, which rejected the Prosecuting attorney's appeal.

The Prosecutor's Office filed an appeal ("*Recurso de Queja*") to the *Tribunal de Casación* requesting that the appeal dismissed by the Federal Court of Appeals of San Martín be sustained. The *Tribunal de Casación* rejected the appeal as well. The resolution in question was notified to the Prosecutor's Office on December 29, 2008. Within the contemplated legal time period, the Prosecutor's Office filed with such *Tribunal* an "Extraordinary appeal". The defense has duly answered the notice served. On May 27, 2009, the *Tribunal* "dismissed the extraordinary appeal filed by the Prosecutor's Office" on the grounds that it failed to specifically and reasonably refute the arguments that supported the resolution being appealed, and proved neither the alleged arbitrariness nor the violation of constitutional guaranties. The Prosecutor's Office filed an appeal ("*Recurso de Queja*") to the Federal Supreme Court requesting that the appeal dismissed by the *Tribunal de Casación* be sustained. As of the date of issuance of these financial statements, the appeal is being analyzed by the Supreme Court.

In the opinion of the Company's management and its legal advisors, there is a strong probability that the appeal will be rejected and the judgment ordering the acquittal of all defendants will be confirmed.

## **22. DISCRETIONARY TRUST AGREEMENT**

On September 30, 2008, the Company and Macro Bank Limited entered into an irrevocable and discretionary trust agreement.

Through the establishment of the trust, which was approved by the Board of Directors on September 29, 2008 and duly informed to control authorities, the Company assigns the management of certain liquid assets for an initial amount of up to US\$ 24,000,000, which are to be used in the future in accordance with the terms of the trust.

The assignment of liquid assets for an amount of US\$ 23,922,000 was carried out on October 2, 2008.

Furthermore, on November 3 and 11, 2008, the Company carried out an additional assignment of liquid assets for US\$ 2,000,000 and US\$ 1,000,000, respectively.

On September 3, 2009, the discretionary trust was dissolved and the trust property was liquidated and transferred to the Company.

As of December 31, 2009 and 2008, the results generated by this transaction have been disclosed in the Financial income (expense) and holding gains (losses) generated by assets account of the Statement of Income under Holding results.

## **23. DERIVATIVE FINANCIAL INSTRUMENTS**

### **a) Corporate Notes**

During the year ended December 31, 2008, the Company carried out transactions with derivative financial instruments with the aim of hedging the foreign currency exchange rate of the cash flows and derivatives of interest payment transactions.

These instruments provided an economic and financial hedge of the amounts in foreign currency that the Company had to pay on the interest payment dates of its financial debt –Class A and B Fixed Rate Par Notes and Class 7 Notes (Note 14)-, maturing on October 8, 2008, December 11, 2008, April 8, 2009, June 12, 2009, October 8, 2009 and December 11, 2009, in the event of fluctuations in foreign currency exchange rates. The Company has not formally designated these transactions as hedging instruments. Therefore, they have been recorded in the accounting in accordance with the provisions of Technical Resolution No. 18 of the Argentine Federation of Professional Councils in Economic Sciences (FACPCE), which require that derivative instruments not designated as effective hedging instruments be recorded at their net realizable value or settlement value, depending on whether they have been classified as assets or liabilities, with a contra-account in the financial gains or losses for the year.

As of December 31, 2009, these transactions have been fully settled, there being no outstanding balances. Additionally, as of December 31, 2008 there existed a balance of 7,905 for this concept (Note 7).

As of December 31, 2009 and 2008, income resulting from these transactions amounted to 1,622 and 5,669, respectively, and was recorded in the Financial income (expense) and holding gains (losses) generated by liabilities account of the Statement of Income under Exchange difference.

#### **b) Forward and Futures Contracts**

During the year ended December 31, 2009, the Company has entered into forward and futures contracts with the aim of using them as economic instruments in order to mitigate the risk generated by the fluctuations in the US dollar rate of exchange.

As of December 31, 2009, the Company has entered into contracts with Standard Bank Argentina S.A. and Banco Finansur S.A., the main features of which are as follow:

Entity	Contracted amount in thousands of US\$	Average rate of exchange	Transaction date	Settlement date	Book value as of December 31, 2009 Assets (Liabilities) Note 7
Banco Finansur	9,000	4.1645	07/27/2009	04/30/2010	(1,814)
Banco Finansur	1,000	4.2420	07/27/2009	06/30/2010	(202)
Standard Bank	12,000	4.4475	09/30/2009	12/31/2010	(1,338)
Banco Finansur	33,000	4.2400	09/30/2009	10/31/2010	(1,532)
Standard Bank	<u>10,000</u>	4.4475	10/01/2009	12/31/2010	<u>(1,115)</u>
	<u>65,000</u>				<u>(6,001)</u>

As of December 31, 2009, the economic impact of these transactions -including contracts that have already been settled as well as those currently in effect-, resulted in a loss of 12,266 that has been recorded in the Financial income (expense) and holding gains (losses) generated by assets account of the Statement of Income under Holding results.

Additionally, in the case of the futures contract entered into with Banco Finansur S.A., the Company has provided initial margins for a total of 26,196 which have been disclosed in the “Other receivables” account (Note 5).

#### **24. RESTRICTIONS ON THE DISTRIBUTION OF EARNINGS**

In accordance with the provisions of Law No. 19,550, 5% of the net income for the year must be appropriated to the legal reserve, until such reserve equals 20% of capital stock. The Ordinary

Shareholders' Meeting held on March 31, 2009 appropriated 6,156 of Unappropriated Retained Earnings as of December 31, 2008 to the aforementioned legal reserve (Note 16.d).

Moreover, 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 as of 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. For income tax purposes, accumulated taxable income shall be the unappropriated retained earnings as of the end of the year immediately preceding the date on which the above-mentioned law went into effect, less dividends paid plus the taxable income determined as from such year and dividends or income from related companies in Argentina.

Since the restructuring of the Company's financial debt referred to in Note 14, the Company was not allowed to distribute dividends until April 24, 2008 or until such time when the Company's leverage ratio were lower than 2.5, whichever occurred first. As from this time, distribution of dividends may only be allowed under certain circumstances depending on the Company's indebtedness ratio.

Certain restrictions on the distribution of dividends by the Company and the need for approval by the ENRE for any distribution have been disclosed in Note 17.b).

**25. BREAKDOWN OF TEMPORARY INVESTMENTS, RECEIVABLES AND LIABILITIES BY COLLECTION AND PAYMENT TERMS**

As required by the CNV's regulations, the balances of the accounts below as of December 31, 2009, are as follow:

<u>Term</u>	<u>Investments</u>	<u>Receivables</u> (1)	<u>Financial Debt</u> <u>(Loans)</u>	<u>Other payables</u> (2)
<u>With no explicit due date</u>	0	45,531	0	610,775
<u>With due date</u>				
Past due:				
Up to three months	0	74,676	0	0
From three to six months	0	28,920	0	0
From six to nine months	0	9,199	0	0
From nine to twelve months	0	28,880	0	0
Over one year	<u>0</u>	<u>15,329</u>	<u>0</u>	<u>0</u>
Total past due	<u>0</u>	<u>157,004</u>	<u>0</u>	<u>0</u>
To become due:				
Up to three months	219,687	276,693	20,527	533,400
From three to six months	0	15,192	30,167	52,254
From six to nine months	0	14,739	14,155	14,402
From nine to twelve months	0	14,302	18,139	14,416
Over one year	<u>0</u>	<u>130,272</u>	<u>707,499</u>	<u>99,901</u>
Total to become due	<u>219,687</u>	<u>451,198</u>	<u>790,487</u>	<u>714,373</u>
Total with due date	<u>219,687</u>	<u>608,202</u>	<u>790,487</u>	<u>714,373</u>
Total	<u>219,687</u>	<u>653,733</u>	<u>790,487</u>	<u>1,325,148</u>

- (1) Excludes allowances
- (2) Comprises total liabilities except accrued litigation and financial debt.

The financial debt mentioned in Note 14 accrues interest at floating and fixed rates, which amount to approximately 10.67% on average; only 16.57% of the debt accrues interest at a floating rate whereas the remaining accrues interest at a fixed rate.

## **26. FINANCIAL STATEMENTS TRANSLATION INTO ENGLISH LANGUAGE**

These financial statements are the English translation of those originally prepared by the Company in Spanish and presented in accordance with accounting principles generally accepted in Argentina. The effects of the differences between the accounting principles generally accepted in Argentina and the accounting principles generally accepted in the countries in which the financial statements are to be used have not been quantified. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operation, shareholder's equity or cash flows in accordance with accounting principles generally accepted in the countries of users of the financial statements, other than Argentina.

ALEJANDRO MACFARLANE  
Chairman

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR S.A.)**

**BALANCE SHEETS AS OF DECEMBER 31, 2009 AND 2008**

**PROPERTY, PLANT AND EQUIPMENT**

(stated in thousands of pesos)

MAIN ACCOUNT	Original value					Depreciation		
	At beginning of year	Additions	Retirements	Transfers	At end of year	At beginning of year	Retirements	For the year
<b>FACILITIES IN SERVICE</b>								
Substations	887,222	0	(3,066)	143,069	1,027,225	336,203	(2,473)	28,442
High voltage networks	398,304	0	0	63,968	462,272	144,675	0	11,882
Medium voltage networks	829,470	0	(597)	52,970	881,843	323,671	(223)	25,120
Low voltage networks	1,715,331	0	(4,153)	60,133	1,771,311	986,478	(2,375)	48,477
Transformation chambers and platforms	545,342	0	(46)	69,742	615,038	207,332	(43)	17,563
Meters	631,670	0	0	48,142	679,812	260,044	0	25,582
Buildings	92,514	0	0	3,860	96,374	22,056	0	1,096
Communications network and facilities	84,223	0	0	12,092	96,315	56,824	0	4,653
Total facilities in service	5,184,076	0	(7,862)	453,976	5,630,190	2,337,283	(5,114)	162,815
<b>FURNITURE, TOOLS AND EQUIPMENT</b>								
Furniture, equipment and software projects	186,778	4,628	(68)	0	191,338	167,303	(68)	10,520
Tools and other	46,499	379	0	0	46,878	43,170	0	726
Transportation equipment	18,777	5,656	(596)	0	23,837	14,097	(581)	1,358
Total furniture, tools and equipment	252,054	10,663	(664)	0	262,053	224,570	(649)	12,604
Total assets subject to depreciation	5,436,130	10,663	(8,526)	453,976	5,892,243	2,561,853	(5,763)	175,419
<b>CONSTRUCTION IN PROCESS</b>								
Transmission	242,401	121,965	0	(207,037)	157,329	0	0	0
Distribution and other	139,580	271,682	0	(246,939)	164,323	0	0	0
Total construction in process	381,981	393,647	0	(453,976)	321,652	0	0	0
Total 2009	5,818,111	404,310	(8,526)	0	6,213,895	2,561,853	(5,763)	175,419
Total 2008	5,486,985	335,722	(4,596)	0	5,818,111	2,394,276	(2,686)	170,263

The Additions column in the Distribution and other line includes 1,746 related to the extension of the software lease agreement (Note 3.g).

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR S.A.)**

**BALANCE SHEETS AS OF DECEMBER 31, 2009 AND 2008**

**INVESTMENTS IN OTHER COMPANIES**

(stated in thousands of pesos)

Name and features of securities	Class	Face value	Number	Adjusted cost	Value on equity method	Net book value 2009	Main activity	Information on the last financial statements		
								Date	Nominal Capital Stock	Incorporated for the
<b>NON-CURRENT INVESTMENTS</b>										
Section 33 Law No. 19,550 as amended -Companies-										
Related Company: SACME S.A.	common non-endorsable	\$ 1	6,000	15	408	408	Electric power services	12/31/2009	12	
Total						408				



**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR S.A.)**

**BALANCE SHEETS AS OF DECEMBER 31, 2009 AND 2008**

**EXHIBIT D**

**OTHER INVESTMENTS**

(stated in thousands of pesos)

MAIN ACCOUNT	Net book value	
	2009	2008
<b>CURRENT INVESTMENTS</b>		
Time deposits		
. in foreign currency (Exhibit G)	27,191	0
Money market funds		
. in local currency	80,055	88,548
Municipal bonds		
. in local currency	0	1,361
Government bonds		
. in foreign currency (Exhibit G)	0	30,717
Corporate Notes		
. in foreign currency (Exhibit G)	112,441	393
<b>Total Current Investments</b>	<b>219,687</b>	<b>121,019</b>
<b>NON-CURRENT INVESTMENTS</b>		
Municipal bonds		
. in local currency	0	7,483
Discretionary trust		
. in foreign currency (Exhibit G)	0	48,945
Corporate Notes		
. in foreign currency (Exhibit G)	0	10,784
<b>Total Non-Current Investments</b>	<b>0</b>	<b>67,212</b>
<b>Total Investments</b>	<b>219,687</b>	<b>188,231</b>

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR)**

**BALANCE SHEETS AS OF DECEMBER 31, 2009 AND 2008**

**ALLOWANCES AND ACCRUALS**

(stated in thousands of pesos)

MAIN ACCOUNT	2009				
	At beginning of year	Additions	Retirements	Recoveries (1)	
<b>Deducted from current assets</b>					
For doubtful accounts	33,097	20,327	(6,780)	(26,956)	
For other doubtful accounts	4,573	3,975	(640)	0	
<b>Included in current liabilities</b>					
Accrued litigation	52,756	15,500	(5,443)	0	
<b>Included in non-current liabilities</b>					
Accrued litigation	45,078	559	0	(35,553)	

(1) The 26,956 relate to the Framework Agreement with the Province of Buenos Aires (Notes 12 and 13, and Exhibit H).  
The 35,553 relate to the recovery of the accrual for tax contingencies (Notes 3.i and 12).

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR S.A.)**

**BALANCE SHEETS AS OF DECEMBER 31, 2009 AND 2008**

**EXHIBIT G**

**FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES**

Account	2009			2008	
	Currency and amount (2)	Exchange rate (1)	Booked amount in thousands of pesos	Currency and amount (2)	Booked amount in thousands of pesos
<b>Current Assets</b>					
Cash and banks	US\$ 292,212	3.760	1,099	US\$ 1,161,320	3,964
	ECU 42,394	5.3952	229	ECU 37,451	177
Investments					
Time deposits	US\$ 7,226,043	3.760	27,170	US\$ 0	0
	ECU 3,983	5.3952	21	ECU 0	0
Government bonds	US\$ 0	3.760	0	US\$ 8,999,929	30,717
Corporate Notes	US\$ 29,904,415	3.760	112,441	US\$ 115,035	393
Other receivables					
Expenses advanced	US\$ 118,878	3.760	447	US\$ 0	0
Receivables from activities other than the main activity	US\$ 363,665	3.760	1,367	US\$ 249,534	852
Warranty deposits	US\$ 6,090,200	3.760	22,899	US\$ 0	0
Other	US\$ 5,600	3.760	21	US\$ 0	0
	ECU 19,949	5.3952	108	ECU 2,285	11
<b>Total Current Assets</b>			<b>165,802</b>		<b>36,114</b>
<b>Non-Current Assets</b>					
Investments					
Corporate Notes	US\$ 0	3.760	0	US\$ 3,159,764	10,784
Discretionary trust	US\$ 0	3.760	0	US\$ 14,340,663	48,945
<b>Total Non-Current Assets</b>			<b>0</b>		<b>59,729</b>
<b>Total Assets</b>			<b>165,802</b>		<b>95,843</b>
<b>Current Liabilities</b>					
Trade accounts payable	US\$ 6,794,947	3.800	25,821	US\$ 5,443,784	18,797
	ECU 15,438	5.4530	84	ECU 517,726	2,480
	NOK 0	0.6602	0	NOK 667,200	331
	CHF 108,826	3.6756	400	CHF 453,851	1,485
Loans					
Corporate Notes	US\$ 3,682,978	3.800	13,996	US\$ 2,609,904	9,012
Financial loans	ECU 0	5.4530	0	ECU 237,978	1,140
Other liabilities					
Other	US\$ 1,065,796	3.800	4,050	US\$ 374,218	1,292
	ECU 8,913	5.453	49	ECU 0	0
<b>Total Current Liabilities</b>			<b>44,400</b>		<b>34,537</b>
<b>Non-Current Liabilities</b>					
Loans					
Corporate Notes	US\$ 176,633,106	3.800	671,206	US\$ 262,670,141	907,000
<b>Total Non-Current Liabilities</b>			<b>671,206</b>		<b>907,000</b>
<b>Total Liabilities</b>			<b>715,606</b>		<b>941,537</b>

(1) Selling and buying exchange rate of Banco de la Nación Argentina in effect at the end of the year

(2) US\$ = US Dollar; ECU = Euro; NOK = Norwegian Krone; CHF Swiss Franc.

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR)**

**INFORMATION REQUIRED BY SECTION 64 CLAUSE b) OF LAW No. 19,550**

**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

(stated in thousands of pesos)

Description	2009			
	Transmission and Distribution Expenses	Selling Expenses	Administrative Expenses	
Salaries and social security taxes	219,836	51,595	58,927	
Postage and telephone	4,361	8,606	2,071	
Bank commissions	0	9,373	0	
Allowance for doubtful accounts (1)	0	18,582	0	
Supplies consumption	34,337	1,429	1,961	
Work by third parties	110,184	40,095	15,062	
Rent and insurance	4,869	629	6,199	
Security services	4,568	339	1,947	
Fees	1,530	80	4,623	
Computer services	13	5,760	22,829	
Advertising	0	0	16,769	
Reimbursements to personnel	1,687	363	521	
Temporary personnel	183	1,141	594	
Depreciation of property, plant and equipment	166,810	2,986	5,623	
Technical assistance	0	0	0	
Directors and Supervisory Committee members' fees	0	0	2,860	
Tax on financial transactions	0	0	32,533	
Taxes and charges	0	17,927	2,013	
Other	205	51	2,035	
<b>Total 2009</b>	<b>548,583</b>	<b>158,956</b>	<b>176,567</b>	
<b>Total 2008</b>	<b>497,870</b>	<b>126,016</b>	<b>138,737</b>	

(1) Net of the recovery of the allowance Framework Agreement with the Province of Buenos Aires for 5,720 (Notes 12 and 13 and Exhibit E).

# **EDENOR S.A.**

**FINANCIAL STATEMENTS AS OF DECEMBER 31, 2008 AND 2007  
TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT**

Shareholders and public in general who are interested in learning more about the report related to the Financial Statements as of December 31, 2008, to be published in the electronic database of the Securities and Exchange Commission (SEC), please visit the Edenor website at [www.edenor.com](http://www.edenor.com).

“Free translation from the original in Spanish for publication in Argentina”

## **REPORT OF INDEPENDENT ACCOUNTANTS**

To the Shareholders, President and Directors of  
Empresa Distribuidora y Comercializadora Norte  
Sociedad Anónima (Edenor S.A.)  
Legal Address: Azopardo 1025  
Autonomous City of Buenos Aires  
Tax Code No. 30-65511620-2

1. We have audited the balance sheet of Empresa Distribuidora y Comercializadora Norte Sociedad Anónima (Edenor S.A.) (hereinafter, Edenor S.A.) at December 31, 2008, the related statement of income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, as well as the complementary notes 1 to 26 and exhibits A, C, D, E, G and H. The preparation and issuance of these financial statements are the responsibility of the Company. Our responsibility is to issue a report on such financial statements, based on our audit.
2. Our audit was conducted in accordance with auditing standards in force in Argentina. These standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and to form an opinion on the reasonableness of the relevant information contained in the financial statements. 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 standards used and significant estimates made by the Company, as well as an evaluation of the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for the opinion.
3. Balances at December 31, 2007 disclosed in the financial statements for comparative purposes arise from the financial statements of the Company at December 31, 2007, which were audited by another professional who issued the unqualified auditor's report dated February 26, 2008.
4. In our opinion, the financial statements of Edenor S.A. present fairly, in all material respects, the financial condition of the Company at December 31, 2008, the results of its operations, and changes in its shareholders' equity and cash flows for the years then ended, in accordance with professional accounting standards in force in the Autonomous City of Buenos Aires.
5. As called for by regulations in force, we report that:
  - a) Edenor S.A.'s financial statements are recorded in the "Inventory and Balances" Book which is maintained in accordance with the Commercial Companies Law and the relevant National Securities Commission pronouncements;
  - b) Edenor S.A.'s financial statements arise from the accounting records maintained in all formal aspects in accordance with safety and integrity standards set by the National Securities Commission;
  - c) At December 31, 2008, the liabilities of Edenor S.A. accrued in favor of the Integrated Pension and Retirement System, according to the accounting records amounted to \$ 7,168,684, which were not yet due at that date.

Autonomous City of Buenos Aires, February 25, 2009

PRICE WATERHOUSE & CO. S.R.L.

/s/ Daniel A. López Lado (Partner)

C.P.C.E.C.A.B.A. T°1 – F°17.  
Daniel A. López Lado  
Certified Public Accountant (UBA)  
C.P.C.E. City of Buenos Aires  
T° 148 – F! 91



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## **INDEPENDENT AUDITORS' REPORT**

To the President and Board of Directors of  
**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE  
SOCIEDAD ANONIMA (EDENOR S.A.)**

Legal address: Azopardo 1025  
City of Buenos Aires

### **1. Identification of the financial statements subject to audit**

We have audited the accompanying financial statements of EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE SOCIEDAD ANONIMA (EDENOR S.A.) (the "Company"), which include the balance sheet as of December 31, 2007, and the statements of income, changes in shareholders' equity and cash flows for the year then ended, with their notes 1 to 24 and 26 (note 2 and 3 describe a summary of the significant accounting policies) and supplemental Exhibits A, C, D, E, G and H, thereto.

The Company's Board of Directors and Management are responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Argentina, for public companies. Such accounting principles include those approved by the Professional Council of Economic Sciences of the City of Buenos Aires and the alternatives selected by the National Securities Commission (CNV) in certain accounting areas whereby the professional accounting principles accept more than one accounting criterion. This responsibility includes (i) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement,

whether due to errors or omissions or to irregularities; (ii) selecting and applying appropriate accounting policies, and (iii) making accounting estimates that are reasonable in the circumstances. Our responsibility is to express an opinion on these financial statements based on our audit carried out pursuant to the scope of work outlined in section 2 of this report.

## **2. Scope of our work**

We conducted our audit in accordance with auditing standards generally accepted in Argentina, as adopted by the Professional Council in Economic Sciences of the City of Buenos Aires. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures, substantially on a test basis, to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to errors or omissions or to irregularities. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's Board of Directors and Management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **3. Opinion**

In our opinion the financial statements referred to in section 1, present fairly, in all material respects, the financial position of EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE SOCIEDAD ANONIMA (EDENOR S.A.) as of December 31, 2007, the results of its operations, changes in its shareholders' equity and its cash flows for the year then ended, in accordance with accounting principles generally accepted in Argentina, as approved by the Professional Council in Economic Sciences of the City of Buenos Aires.

## **4. Information required by regulations in force**

- a) The financial statements mentioned in section 1 of this report are disclosed in accordance with the regulations of Law 19,550 and of the Comisión Nacional de Valores (National Securities Commission).
- b) The data of the financial statements described in section 1 of this report agree with the Company's accounting ledgers, which have been kept in its formal aspects in accordance with legal current regulations.



- c) The financial statements mentioned in section 1 of this report have been transcribed into the accounting and legal records.
- d) As per the Company's accounting records mentioned in item b), the accrued liabilities as of December 31, 2007 with the National Pension System amounted to pesos 4,677,499, none of which is past due.

## **5. Financial statements translation into English language**

This report and the financial statements referred to in section 1 have been translated into English for the convenience of English-speaking readers. As further explained in Note 26 to the accompanying financial statements, "These financial statements are the English translation of those originally prepared by the Company in Spanish and presented in accordance with accounting principles generally accepted in Argentina. The effects of the differences between accounting principles generally accepted in Argentina and the accounting principles generally accepted in the countries in which the financial statements are to be used have not been quantified. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations, shareholders' equity or cash flows in accordance with accounting principles generally accepted in the countries of users of the financial statements, other than Argentina".

City of Buenos Aires, February 26, 2008

**DELOITTE & Co. S.R.L.**



**Daniel H. Recanatini**  
(Partner)

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**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR)**

**BALANCE SHEETS AS OF DECEMBER 31, 2008 AND 2007**

(stated in thousands of pesos)

	2008	2007	
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>
Cash and banks	6.061	3.459	Trade accounts payable (Note 6)
Investments (Exhibit D)	121.019	97.739	Loans (Note 7)
Trade receivables (Note 4)	446.022	345.979	Salaries and social security taxes (Note 8)
Other receivables (Note 5)	42.801	25.990	Taxes (Note 9)
Supplies	16.705	23.174	Other liabilities (Note 10)
<b>Total Current Assets</b>	<b>632.608</b>	<b>496.341</b>	Accrued litigation (Exhibit E)
			<b>Total Current Liabilities</b>
<b>NON-CURRENT ASSETS</b>			<b>NON-CURRENT LIABILITIES</b>
Trade receivables (Note 4)	65.839	100.300	Trade accounts payable (Note 6)
Other receivables (Note 5)	99.472	144.107	Loans (Note 7)
Investments in other companies (Exhibit C)	397	390	Salaries and social security taxes (Note 8)
Investments (Exhibit D)	67.212	0	Other liabilities (Note 10)
Supplies	12.844	13.759	Accrued litigation (Exhibit E)
Property, plant and equipment (Exhibit A)	3.256.258	3.092.709	<b>Total Non-Current Liabilities</b>
<b>Total Non-Current Assets</b>	<b>3.502.022</b>	<b>3.351.265</b>	<b>Total Liabilities</b>
			<b>SHAREHOLDERS' EQUITY (as per related sta</b>
<b>Total Assets</b>	<b>4.134.630</b>	<b>3.847.606</b>	<b>Total Liabilities and Shareholders' Equi</b>

The accompanying notes 1 through 26 and supplemental exhibits A, C, D, E, G and H are an integral part of these financial statements

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR S.A.)**

**STATEMENTS OF INCOME**

**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

(stated in thousands of pesos)

	2008	2007
Net sales (Note 11)	2,000,198	1,981,928
Electric power purchases	(934,660)	(889,885)
Gross margin	1,065,538	1,092,043
Transmission and distribution expenses (Exhibit H)	(497,870)	(417,553)
Selling expenses (Exhibit H)	(126,016)	(120,633)
Administrative expenses (Exhibit H)	(138,737)	(124,656)
Net operating income	302,915	429,201
Financial income (expense) and holding gains (losses)		
Generated by assets		
Exchange difference	8,139	(855)
Interest	9,772	13,426
Holding results	(7,300)	135
Generated by liabilities		
Financial expenses	(9,964)	(21,042)
Exchange difference	(92,707)	(29,938)
Interest	(95,273)	(74,508)
Adjustment to present value of the retroactive tariff increase arising from the application of the new electricity rate schedule and of the Payment Plan Agreement with the Province of Bs.As. (Notes 13 and 17.b)	13,454	(29,618)
Adjustment to present value of notes (Note 3.j)	(8,457)	(21,495)
Gain/(Loss) from the purchase of notes (Notes 3.j and 14.a)	84,555	(10,228)
Adjustment to present value of purchased notes (Notes 3.j and 14.a)	8,980	(8,632)
Other (Expense) Income, net (Note 12)	(29,825)	996
Income before taxes	184,289	247,442
Income tax (Note 3.m)	(61,174)	(124,984)
Net income for the year	123,115	122,458
Earnings per common share	0,137	0,135

The accompanying notes 1 through 26 and supplemental exhibits A, C, D, E, G and H are an integral part of these financial statements

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR S.A.)**

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

(stated in thousands of pesos)

	2008						Appr Retain Leg
	Nominal Value (Note 16.a)	Adjustment to Capital	Additional Paid-in Capital	Nominal Value Treasury Stock Note 1	Adjustment to Capital Treasury Stock Note 1	Total	
Balance at beginning of year	906,455	996,489	106,928	-	-	2,009,872	
Capital increase resolved by the Board of Directors' meeting of June 14, 2007, as per the powers granted by the Shareholders' Meeting held on June 7, 2006.	-	-	-	-	-	-	
Absorption of accumulated deficit resolved by the Shareholders' Meeting held on April 15, 2008 (Note 16.d)	-	-	(88,611)	-	-	(88,611)	
Acquisition of the Company's own shares - (Note 1, 3.k and 16.a)	(9,412)	(10,347)	-	9,412	10,347	-	
Net income for the year	-	-	-	-	-	-	
<b>Balance at end of year</b>	<b>897,043</b>	<b>986,142</b>	<b>18,317</b>	<b>9,412</b>	<b>10,347</b>	<b>1,921,261</b>	

The accompanying notes 1 through 26 and supplemental exhibits A, C, D, E, G and H are an integral part of these financial statements

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR S.A.)**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

(stated in thousands of pesos)

	2008	2007
<b>Changes in cash and cash equivalents</b>		
Cash and cash equivalents at beginning of year (Note 18.a)	101.198	32.673
Cash and cash equivalents at end of year (Note 18.a)	126.399	101.198
Net increase in cash and cash equivalents	25.201	68.525
<b>Cash flows from operating activities</b>		
Net income for the year	123.115	122.458
<b>Adjustments to reconcile net income to net cash flows provided by operating activities</b>		
Depreciation of property, plant and equipment (Exhibit A)	170.263	174.357
Retirement of property, plant and equipment (Exhibit A)	1.910	1.105
Gain from investments in the related company SACME S.A. (Exhibit C)	(7)	(12)
Gain from investments	(4.310)	(8.467)
Adjustment to present value of notes (Note 3.j)	8.457	21.495
Gain/(Loss) from the purchase of notes (Notes 3.j and 14.a)	(84.555)	10.228
Adjustment to present value of purchased notes (Notes 3.j and 14.a)	(8.980)	8.632
Exchange difference and interest on loans	232.743	69.541
Income tax (Note 3.m)	61.174	124.984
Recovery of allowance for doubtful accounts (Exhibit E)	(24.016)	0
Increase in trade receivables due to the unbilled portion of the retroactive tariff increase arising from the application of the new electricity rate schedule	(118.849)	(171.281)
Adjustment to present value of the retroactive tariff increase arising from the application of the new electricity rate schedule and of the Payment Plan Agreement with the Province of Bs.As. (Notes 13 and 17.b)	(13.454)	29.618
<b>Changes in assets and liabilities:</b>		
Decrease (Increase) in trade receivables (net of the unbilled portion of the retroactive tariff increase and recovery of allowance)	88.175	(36.853)
Net increase in other receivables	(33.350)	(8.385)
Decrease (Increase) in supplies	7.384	(18.377)
Increase in trade accounts payable	27.797	52.728
Increase in salaries and social security taxes	50.279	12.865
Increase in taxes	26.380	22.449
Increase in other liabilities	78.077	17.748
Net increase in accrued litigation	15.123	16.191
Financial interest paid (net of interest capitalized) (Notes 3.g and 18.b)	(62.685)	(25.484)
Financial and commercial interest collected (Note 18.b)	6.872	11.642
<b>Net cash flows provided by operating activities</b>	547.543	427.182
<b>Cash flows from investing activities</b>		
Additions of property, plant and equipment (1)	(325.380)	(336.851)
<b>Net cash flows (used) in investing activities</b>	(325.380)	(336.851)
<b>Cash flows from financing activities</b>		
Increase in current and non-current investments (2)	(67.893)	0
Decrease in loans	(122.939)	(203.579)
Capital increase (Note 1)	0	181.773
Acquisition of the Company's own shares (Note 1)	(6.130)	0
<b>Net cash flows provided by (used in) financing activities</b>	(196.962)	(21.806)
<b>Net Increase in Cash and Cash Equivalents</b>	25.201	68.525

(1) Net of 2,066 Capital expenditures fund - CAMMESA (Note 17.b) and 8,276 Software lease agreement (Note 3.g) as of December 31, 2008

(2) Current investments include only those investments with original maturities of more than three months.

The accompanying notes 1 through 26 and supplemental exhibits A, C, D, E, G and H are an integral part of these financial statements

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A.  
(EDENOR S.A.)**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2008 AND 2007**

(amounts stated in thousands of Argentine pesos)

**1. ORGANIZATION AND START UP OF THE COMPANY**

In compliance with Law No. 24,065 and in agreement with the reform process of the Argentine Federal Government and the privatization program of Argentine state-owned companies, the entire business of generation, transportation, distribution and sale of electric power carried out by Servicios Eléctricos del Gran Buenos Aires S.A. (SEGBA) was declared to be subject to privatization; the operation was divided into seven business units: three for the distribution and four for the generation of electric power.

On May 14, 1992, the Ministry of Economy and Public Works and Utilities, by Resolution No. 591/92, approved the Bidding Terms and Conditions (Bid Package) of the International Public Bidding for the sale of the Class "A" shares, representing 51% of the capital stock of Empresa Distribuidora Norte S.A. (hereinafter, "EDENOR" or "the Company") and Empresa Distribuidora Sur S.A. (EDESUR S.A.), two of the three electric power distribution companies into which SEGBA had been divided.

EDF International (EDF S.A.), Empresa Nacional Hidroeléctrica del Ribagorzana, S.A. (ENHER), Astra Compañía Argentina de Petróleo S.A. (ASTRA), Socièté D'Amenagement Urbain et Rural (SAUR), Empresa Nacional de Electricidad S.A. (ENDESA) and J.P. Morgan International Capital Corporation formed Electricidad Argentina S.A. (EASA) to bid for the Class "A" shares of EDENOR, a company organized on July 21, 1992 by Decree No. 714/92 of the Federal Government.

EASA was awarded the Class "A" shares of EDENOR based on a bid of US\$ 427,973,000 (equivalent to the same amount in Argentine pesos as of such date). The corresponding contract for the transfer of 51% of EDENOR's capital stock was executed on August 6, 1992. The award as well as the transfer contract were approved on August 24, 1992 by Decree No. 1,507/92 of the Federal Government. Finally, on September 1, 1992, EASA took over the operations of EDENOR.

In accordance with the provisions of Decree No. 282/93 of the Federal Government, dated February 22, 1993, the recorded values of assets, liabilities and net capital arising from the transfer of SEGBA, were determined on the basis of the price actually paid for 51% of EDENOR's capital stock (represented by the totality of Class "A" shares). This price was also used as the basis to determine the value of the remaining 49% of the capital stock. In order to determine the value of the assets transferred from SEGBA, the amount of liabilities assumed was added to the value of the total capital stock of 831,610, determined as indicated above. Management estimates that the amounts of the assets transferred from SEGBA represented their fair values as of the date of the privatization.

The corporate purpose of EDENOR is to engage in the distribution and sale of electricity within the concession area. Furthermore, 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 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.

On June 12, 1996, the Extraordinary Shareholders' Meeting approved the change of the Company's name to Empresa Distribuidora y Comercializadora Norte S.A. (EDENOR S.A.) so that the new name would reflect the description of the Company's core business. The amendment to the Company's by-laws as a consequence of the change of name was approved by the National Regulatory Authority for the Distribution of Electricity (ENRE - Ente Nacional Regulador de la Electricidad), through Resolution No. 417/97 and registered with the Public Registry of Commerce on August 7, 1997.

On May 4 and June 29, 2001, EDF International S.A. (a wholly-owned subsidiary of EDF) acquired all the shares of EASA and EDENOR held by ENDESA Internacional, YPF S.A. (surviving company of ASTRA) and SAUR. Therefore, the direct and indirect interest of EDF International S.A. (EDFI) in EDENOR increased to 90%.

On June 29, 2005, the Board of Directors of EDF approved a draft agreement with Dolphin Energía S.A. (Dolphin) pursuant to which it would assign 65% of EDENOR's capital stock (held by EDFI) through the transfer of all Class "A" common shares held by EASA and 14% of the Class "B" common shares. In this manner, EDFI would retain a 25% interest in EDENOR. The remaining 10% would be kept by the employees according to the Employee Stock Ownership Program (ESOP). The closing of the agreement took place upon its approval by the corresponding French and Argentine governmental authorities.

On September 15, 2005, by virtue of the stock purchase-sale agreement entered into by EDFI and Dolphin and Dolphin's subsequent partial assignments of its interest in EASA and EDENOR to IEASA S.A. (IEASA) and New Equity Ventures LLC (NEV), the formal take over by Dolphin took place, together with the change in the Company's indirect control through the acquisition of 100% of the capital stock of EASA, which is the controlling company of EDENOR, by Dolphin (90%) and IEASA (10%). Furthermore, as a result of the aforementioned agreement, the ownership of the Company's Class "B" common shares (representing 39% of its capital stock) changed with 14% of the Company's capital stock now being held by NEV and the remaining 25% being kept by EDFI.

On April 28, 2006, the Company's Board of Directors decided to initiate the public offering of part of the Company's capital stock in local and international markets, including, but not limited to the trading of its shares in the Buenos Aires Stock Exchange (BCBA) and the New York Stock Exchange (NYSE), United States of America.

On June 7, 2006, the Ordinary and Extraordinary Shareholders' Meeting resolved to increase capital stock up to ten percent (10%), request authorization for the public offering from both the National Securities Commission (CNV) and the Securities and Exchange Commission (SEC) of the United States of America, as well as authorization to trade from both the Buenos Aires Stock Exchange and the New York Stock Exchange, entrusting the Board of Directors with the task of taking the necessary steps to implement such resolutions.

Additionally, it was decided that an American Depositary Receipts (ADRs) program, represented by American Depositary Shares (ADSs) would be created and that it would be the responsibility of the Board of Directors to determine the terms and conditions and the scope of the program.

On June 14, 2007, the Board of Directors approved the final report on Edenor's capital increase and public offering process. As a result of the above-mentioned process, the Company's Class B shares and American Depositary Shares ("ADSs"), representing Class B shares, are traded on the Buenos Aires Stock Exchange and the New York Stock Exchange, respectively. The final capital increase, as resolved by the above-mentioned Board of Directors' meeting, amounted to nine percent (9%) which is represented by 74,844,900 (seventy-four million eight hundred forty-four thousand nine hundred) new shares subscribed at the international primary offering, fully placed as 3,742,245 ADS. It was also reported that a secondary international offering was made on this date of 207,902,540 Class B shares.

The aforementioned issuance was carried out at a price of 2.62 per share. Taking into account that the nominal value of each share is 1.00, an additional paid-in capital, amounting to 121,249, was recorded.

For the year ended December 31, 2007, expenses incurred by the Company in relation to this process amounted to 14,321, which have been offset against the aforementioned additional paid-in capital, in accordance with the provisions of section No. 202 of the Argentine Business Organizations Law No. 19,550. The resulting balance of the additional paid-in capital, net of expenses, which amounted to 106,928, was partially used to absorb the accumulated deficit on April 15, 2008 (Note 16.d).

The Class "B" shareholders NEV and EDFI informed the Company that at the secondary international offering they sold 49,401,480 and 179,049,520 Class "B" shares, respectively. Additionally, on May 1, 2007, the shareholders NEV and EDFI informed that they had sold 57,706,040 Class "B" shares at the secondary international offering when the international underwriters fully exercised the over-allotment option (green shoe) contemplated in the prospectus for the public offering and section 2 of the underwriting agreement.

With regard to the Company's Class "C" shares held by the Employee Stock Ownership Program (ESOP), on April 29, 2007 the ESOP was partially cancelled in advance in conformity with a procedure set forth by the Federal Government, and on April 30, 2007, an amount of 81,208,416 shares, which had been converted into Class "B" shares on April 27, 2007, was sold at the domestic secondary offering. As of the date of issuance of these financial statements, an amount of 1,952,604 Class "C" shares, representing 0.22% of the Company's capital stock, remains outstanding.

Furthermore, Dolphin and IEASA contributed 38,170,909 Class "B" shares of the Company that had been transferred to them by NEV to EASA, which is the controlling company. On April 27, 2007, the contributed shares were converted into Class "A" shares to ensure that EASA continues to hold 51% of all the Class "A" shares outstanding. On April 30, 2007, the Company requested that Caja de Valores S.A. register the new Class "A" shares and extend thereto the regulatory pledge in favor of the Argentine Government, in compliance with the Bidding Terms and Conditions of the International Public Bidding, the provisions of the Concession Agreement of Edenor S.A., and the terms of the related pledge agreements signed on August 31, 1992 and July 14, 1994 which, in accordance with their second clause, EASA was required to extend the first-priority preferred security interest to any Class "A" Shares of the Company that EASA would acquire on a date subsequent to those of said Agreements.

Moreover, section 19 of the Adjustment Agreement entered into by the Company and the Argentine Government, which was ratified by Decree No. 1957/2006, stipulates that the pledge on the Company's shares in favor of the Argentine Government granted as security for the performance of the Concession Agreement will be extended to include the performance of the obligations assumed by the Company in this Adjustment Agreement.

The Company was notified that on June 22, 2007, the shareholders of Dolphin Energía S.A. and IEASA S.A. (that own 100% of the stock of Electricidad Argentina S.A., the controlling company of Edenor S.A.) and Pampa Holding S.A. entered into a memorandum of understanding whereby it was agreed that the totality of the capital stock of Dolphin Energía S.A. and IEASA S.A. would be exchanged for common shares of Pampa Holding S.A.

Furthermore, the Company received a notice from EASA whereby it was informed that the exchange for shares described in the preceding paragraph had formally been agreed upon on September 28, 2007 under a Stock Subscription Agreement entered into by Pampa Holding S.A., Marcos Marcelo Mindlin, Damián Miguel Mindlin, Gustavo Mariani, Latin American Energy LLC, New Equity Ventures LLC and Deutsche Bank AG, London Branch. Moreover, on such date, Pampa Holding S.A. acquired 100% of the capital stock of Dolphin Energía S.A. and IEASA S.A., which together own 100% of the capital stock of EASA.

On October 23, 2008, the Company's Board of Directors decided to launch a public offering for the acquisition of the Company's own shares pursuant to both the terms of Section 29, Chapter XXVII, Book 9 of the National Securities Commission's regulations and the provisions of Section 68 of Law No. 17,811 (as amended by Decree No. 677/2001). Shares acquired by virtue of the aforementioned provisions shall be sold by the Company within a maximum three-year term as of date of purchase, except extension established by Ordinary Shareholders' Meeting.



On October 27, 2008, the Company requested authorization for the above-mentioned public offering from the National Securities Commission (CNV).

Furthermore, on October 29, 2008, the Company's Board of Directors modified the basic terms and conditions of the aforementioned offering.

On October 30, 2008, the National Securities Commission (CNV) approved the above-mentioned public offering for the acquisition of the Company's own shares. Furthermore, the Company's Board of Directors fixed the purchase price of the shares to be acquired within the framework of the offering in the amount of pesos 0.65.

The main terms and conditions for the acquisition of the Company's own shares in the framework of the offering have been the following:

- Maximum amount to invest: up to pesos 45,000,000
- Maximum number of shares included in the offering: up to 65,000,000 common, Class B and/or C shares, representing approximately 7.17% of the Company's capital stock, with a nominal value of 1 peso each and the right to one vote per share
- Source of the funds: the acquisition of shares will be made with realized and liquid profits resulting from the financial statements for the six-month period ended June 30, 2008 and approved by the Company's Board of Directors on August 7, 2008. Additionally, it is stated that the Company is liquid and has the necessary economic resources to guarantee full satisfaction of the offering.
- Scope of the offering: it was exclusively carried out in Argentina.

On November 14, 2008, the Company's Board of Directors decided to continue with the acquisition process of the Company's own shares through market transactions in accordance with the terms of section 68 of Law No. 17,811 (as amended by Decree No. 677/2001) and the CNV's Regulations. This decision was taken firstly because the reasons that motivated the acquisition process through the public offering mechanism previously described continue to exist, and secondly because such mechanism would provide the Company with more flexibility to determine the purchase price of its own shares in a context of high volatility in the market value of shares in general.

Based on the foregoing, the Company's Board of Directors approved the following basic terms and conditions:

- Maximum amount to invest: up to pesos 45,000,000
- Maximum number of Class B shares to be acquired: the number of common Class B shares, with a nominal value of 1 peso each and the right to one vote per share, equivalent to the maximum amount to invest, which may not exceed at any time, the maximum limit of treasury stock which the Company may own, in accordance with applicable regulations.
- Daily limit for market transactions: up to 25% of the average daily transaction volume in the markets where the shares are listed, for the preceding 90-day period, in accordance with applicable regulations.
- Price to be paid for the shares: between a minimum of 0.50 and a maximum of 0.80 peso per share.
- Acquisition period: 120 calendar days to commence from the working day following the date of publication of the information in the *Daily Bulletin* of the Buenos Aires Stock Exchange, which took place on November 17, 2008. Such period may be reduced, renewed or extended. Investors will be informed of any such reduction, renewal or extension through the above-mentioned bulletin.
- Source of the funds: the acquisition of shares will be made with realized and liquid profits resulting from the financial statements for the nine-month period ended September 30, 2008 and approved by the Company's Board of Directors on November 5, 2008. Additionally, it is stated that the Company is liquid so as to make the aforementioned acquisitions without affecting its creditworthiness.

As of December 31, 2008 the Company acquired, through both acquisition processes, a total of 9,412,500 class B shares with a nominal value of 1 peso each at an acquisition cost of 6,130 which has been disclosed as an adjustment to unappropriated retained earnings.

As of December 31, 2008, the Company's capital stock, represented by 906,455,100 shares is held as follows (Note 16.a):

Holder	Number of shares	Class	% held
EASA (1)	462,292,111	"A"	51.00
Market in general (2)	442,210,356	"B"	48.78
Banco Nación (3)	1,952,604	"C"	0.22
New Equity Ventures LLC	19	"B"	0
EDF Internacional S.A.	10	"B"	0

(1) The shares are pledged in favor of the Argentine Government as evidenced by the certificate issued by Caja de Valores.

(2) Includes 9,412,500 treasury shares as of December 31, 2008.

(3) Trustee of the Employee Stock Ownership Program.

## **2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS**

### **Financial statements presentation**

These financial statements have been prepared in accordance with accounting principles generally accepted in the City of Buenos Aires, Argentina (hereinafter "Argentine GAAP") and the criteria established by the National Securities Commission (CNV), taking into account that which is mentioned in the following paragraphs.

The amounts of these financial statements are stated in thousands of Argentine pesos.

As from January 1, 2003 and as required by General Resolution No. 434/03 of the CNV, the Company reports the results of its operations, determines the values of its assets and liabilities and determines its profit and loss in conformity with the provisions of Technical Resolutions (TR) Nos. 8, 9 and 16 through 18 (amended text June 2003). As from January 1, 2004, the Company has applied the provisions of TR No. 21 of the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) as approved by the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires (CPCECABA), with specific few exceptions and clarifications introduced by General Resolution No. 459/04 of the CNV.

The CNV through its General Resolutions Nos. 485/05 and 487/06 decided to implement certain changes in the Argentine GAAP effective for fiscal years or interim periods beginning as from January 1, 2006, by requiring the application of TR Nos. 6, 8, 9, 11, 14, 16, 17, 18, 21, 22 and 23 and Interpretations 1, 2, 3, and 4, of the FACPCE with the amendments introduced by such Federation through April 1, 2005 (Resolution No. 312/05) and adopted by the CPCECABA (Resolution CD No. 93/05) with certain amendments and clarifications.

Among the aforementioned changes the following can be noted: i) the comparison between the values of certain assets and their recoverable values, using discounted cash-flows; ii) the consideration of the difference between the accounting and tax values resulting from the adjustment for inflation included in non-monetary assets, as a temporary difference, allowing the Company to either recognize a deferred tax liability or to disclose the effect of such accounting change in a note to the financial statements and (iii) the capitalization of interest cost on certain assets (only those assets that require an extended period of time to be produced or acquired would qualify) during the term of their construction and until they are in condition to be used.

With regard to the impact of the application of the change mentioned in the preceding paragraph under (i) on the Company's property, plant and equipment, said change does not have a significant impact on the Company's financial position or net income for the year ended December 31, 2008, given that the fair value (defined as the discounted value of net cash flows arising from both the use of the assets and their final disposal) exceeds their recorded value (Note 3.g).

With regard to item (ii), the Company has decided to disclose said effect in a note to the financial statements. Had the Company chosen to recognize the effect of the adjustment for inflation of its property, plant and equipment as a temporary difference, as of December 31, 2008 a deferred tax liability of approximately 410,221 and a credit to net income for the year, under the income tax account, amounting to 30,404, would have been recorded.

Additionally, had the Company elected to recognize a deferred tax liability, and excluding the effects of the allowance for impairment of value of deferred tax assets, in subsequent years, the Company would have recorded an income tax expense that would have been lower than the income tax expense that will be recorded as a result of maintaining the criterion applied up to the moment, whose distribution in subsequent years has been estimated as follows:

Year	Effect on deferred tax result Nominal value
2009	26,396
2010	25,011
2011	24,084
2012 – 2016	106,866
2017 – 2021	88,058
Remainder	<u>139,806</u>
<b>Total</b>	<u><b>410,221</b></u>

On May 24, 2006 the Board of the CPCECABA approved TR No. 23 "Argentine GAAP – Employee benefits upon termination of labor relationship and other long-term benefits". This TR is in effect for the Company's financial statements for fiscal years or interim periods beginning as from January 1, 2007. The amounts corresponding to the personnel benefits plan (pension plan) implemented by the Company are disclosed in Notes 3.o and 8.

### **Consideration of the effects of inflation**

The financial statements fully reflect the effects of the changes in the purchasing power of the currency through August 31, 1995. As from such date, and in accordance with Argentine GAAP and the requirements of control authorities, the restatement of the financial statements to reflect the effects of inflation was discontinued until December 31, 2001. As from January 1, 2002, and in accordance with Argentine GAAP, it was established that inflation adjustment be reinstated and that the accounting basis restated as a result of the change in the purchasing power of the currency through August 31, 1995, as well as transactions with original date as from such date through December 31, 2001, be considered as restated as of the latter date. The financial statements have been restated to reflect the effects of inflation based on the variations of the Domestic Wholesale Price Index.

On March 25, 2003, the Federal Government issued Decree No. 664 establishing that financial statements for fiscal years ending as from such date had to be prepared in nominal currency. Consequently, and in accordance with Resolution No. 441 of the CNV, the Company discontinued the restatement of its financial statements as from March 1, 2003. This criterion does not agree with Argentine GAAP which establish that financial statements were to be restated through September 30, 2003. The Company has estimated that the effect of not having restated the financial statements through September 30, 2003 is not significant on the financial statements.

### **3. VALUATION CRITERIA**

The main valuation criteria used in the preparation of these financial statements are as follow:

#### **a) Cash and banks:**

- In local currency: at nominal value.
- In foreign currency: at the exchange rate in effect as of the end of each year. The corresponding detail is disclosed in Exhibit G.

**b) Current investments:**

- Time deposits, which include the portion of interest income accrued through the end of each year; those denominated in foreign currency have been valued at the rate of exchange in effect as of each year-end,
- Money market funds, which have been valued at the prevailing market price as of the end of each year,
- Government bonds, which have been valued at the market price as of the end of each year.

**c) Trade receivables:**

- Services rendered and billed but not collected, and services rendered but unbilled as of the end of each year, at nominal value, except for those indicated in the following paragraph;
- Services rendered but unbilled as of the end of the year ended December 31, 2008, arising from the retroactive increase deriving from the application of the electricity rate schedule resulting from the RTT (Note 17.b) have been valued on the basis of the best estimate of the amount to be collected, discounted at a 10.5% annual nominal rate, which, in accordance with the Company's criterion, reasonably reflected market assessments of the time value of money and risks specific to the receivable at the time of their initial measurement. The same procedure was followed with the amount included in the payment plan agreement signed with the Province of Buenos Aires under the Framework Agreement (Note 13).

The amounts thus determined:

1. are net of an allowance for doubtful accounts, as described in more detail in paragraph h) of this Note.
2. consider the effects of that which is stated in Note 13.

**d) Other receivables and liabilities (excluding loans):**

- In local currency: at nominal value.
- In foreign currency: at the exchange rate in effect as of the end of each year (Exhibit G).

Other receivables and liabilities have been valued as indicated above including, if any, interest income or expense accrued as of the end of each year. The values thus obtained do not differ significantly from those that would have been obtained if the Argentine GAAP had been applied, inasmuch as they establish that other receivables and liabilities must be valued on the basis of the best estimate amount to be collected and paid, respectively, discounted at a rate that reflects the time value of money and the risks specific to the transaction estimated at the time of their being recorded in assets and liabilities, respectively.

Trade accounts payable have been valued at nominal value including, if any, interest expense accrued as of the end of each year. The values thus obtained do not differ significantly from those that would have been obtained if the Argentine GAAP had been applied, inasmuch as they establish that trade accounts payable must be valued at their estimated cash price at the time of the transaction, plus interest and implicit financing components accrued on the basis of the internal rate of return determined at such opportunity.

**e) Supplies:**

Supplies were valued at acquisition cost restated to reflect the effects of inflation as indicated in Note 2. The consumption of supplies has been valued based on the average cost method.

The Company has classified supplies into current and non-current depending on whether they will be used for maintenance or capital expenditures.

The carrying value of supplies, taken as a whole, does not exceed their recoverable value as of the end of each year.

**f) Non-current investments:**

- 50% interest held in the related company SACME S.A. (a company organized by means of equal contributions by distribution companies EDENOR S.A. and EDESUR S.A. in accordance with the Bid Package). SACME S.A. is in charge of monitoring the electric power supplied to the aforementioned distributors. As of December 31, 2008 and 2007, the investment in SACME has been recorded at its equity value (Exhibit C).

In order to determine the equity value, the audited financial statements of SACME S.A. as of December 31, 2008 have been used. The accounting principles used by SACME are similar to those applied by EDENOR for the preparation of its financial statements.

- Corporate Notes of Central Térmica Güemes: As of year-end, the aforementioned corporate notes have been valued at their acquisition value plus interest income accrued translated into pesos at the rate of exchange in effect as of year-end. The corporate notes with maximum maturity on September 11, 2017 accrue interest at an annual fixed rate of 10.5%, payable on September 11 and March 11 of each year (Note 15). Interest income accrued has been disclosed in current investments and amount to 393 (Exhibit D).
- Municipal Financial Restructuring Bonds (Municipal Bonds) issued pursuant to Law No. 11,752 of the Province of Buenos Aires were valued at their acquisition value, including the inflation-linked CER (“benchmark stabilization coefficient”) adjustment and interest accrued at an annual rate of 4%. Principal installments maturing during the 2009 fiscal year have been disclosed in current investments and amount to 1,361 (Exhibit D).
- Financial trust: As of the end of the year, its value has been based upon the market price of securities kept by trustee translated into pesos at the rate of exchange in effect as of year-end (Note 22).

**g) Property, plant and equipment:**

Property, plant and equipment transferred by SEGBA on September 1, 1992 were valued as of the privatization date as described below, and restated to reflect the effects of inflation as indicated in Note 2. The total value of the assets transferred from SEGBA was allocated to individual assets accounts on the basis of engineering studies conducted by the Company.

The total value of property, plant and equipment has been determined based on the US\$ 427 million price actually paid by EASA for the acquisition of 51% of the Company’s capital stock at acquisition date. Such price was used to value the entire capital stock of EDENOR at 832 million pesos, which, when added to the fair value of the debts assumed by the Company under the SEGBA Privatization Bid Package for 139.2 million pesos less the fair value of certain assets received from SEGBA for 103.2 million, valued property plant and equipment at 868 million pesos.

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 restated to reflect the effects of inflation as indicated in Note 2, net of the related accumulated depreciation. Depreciation has been calculated by applying the straight-line method over the estimated 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 TR No. 17, financial costs in relation to any given asset may 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 a 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. The Company capitalized financial costs on property, plant and equipment from 1997 to 2001, in 2006, 2007 and during the year ended December 31, 2008. Financial costs capitalized for the years ended December 31, 2008 and 2007 amounted to 31,477 and 12,665, respectively.

During the years ended December 31, 2008 and 2007, direct and indirect costs capitalized amounted to 41,464 and 32,528, respectively.

Furthermore, on May 19, 2008 the Company entered into a software lease agreement, which, in accordance with the provisions of section 4.1 of Technical Resolution No. 18 of the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires, has been considered as a Finance Lease.

Common characteristics of these lease contracts are that they transfer substantially all the risks and rewards incident to the ownership of the leased asset, whose ownership title may be transferred or not. In consideration thereof, the Company (lessee) agrees to make one or more payments that cover the current value of the asset and the corresponding financial charges.

For this concept, as of December 31, 2008, the Company has recorded 10,103 in the Property, plant and equipment account (Exhibit A), 8,276 in Other Liabilities under Other (Note 10) and 589 in the Statement of Income under Financial interest.

The recorded value of property, plant and equipment, taken as a whole, does not exceed their recoverable value as of the end of each year.

**h) Allowances (Exhibit E):**

- Deducted from current assets:

for doubtful accounts: it has been recorded to adjust the valuation of trade receivables and other receivables up to their estimated recoverable value. The amount of the allowance has been determined based on the historical series of collections for services billed through the end of each year and collections subsequent thereto.

Additionally, for purposes of calculating the amount of the allowance, the Company has considered a detailed analysis of accounts receivable in litigation.

- Deducted from non-current assets:

for impairment of value of deferred tax assets: as of December 31, 2007 the Company had partially impaired the deferred tax asset with a valuation allowance. (Note 3.m), whereas as of December 31, 2008 the allowance was used to offset the deferred tax asset due to the fact that the tax loss generated in the 2002 fiscal year became statute-barred.

The evolution and balances of allowances have been disclosed in Exhibit E.

**i) Accrued litigation:**

Amounts have been accrued for several contingencies.

- 1) The Company is a party to certain lawsuits and administrative proceedings in several courts and government agencies, including certain tax contingencies arising from the ordinary course of business. The Argentine tax authority ("AFIP") has challenged certain income tax deductions related to allowances for doubtful accounts made by the Company on its income tax returns for fiscal years 1996, 1997 and 1998, and has assessed additional taxes for approximately 9,300. Tax related contingencies are subject to interest charges and, in some cases, to fines. This matter is currently on appeal to the Federal Tax Court and the Federal Appellate Court in Administrative Matters. During the appeal process, payment of such claim has been suspended.

- 2) The Company is also a party to civil and labor lawsuits in the ordinary course of business. At the end of each year, management evaluates these contingencies and records an accrual for related potential losses when: (i) payment thereof is probable, and (ii) the amount can be reasonably estimated. The Company estimates that any loss in excess of amounts accrued in relation to the above matters will not have a material adverse effect on the Company's result of operations or its financial position.

The evolution and balances of the accrued litigation account have been disclosed in Exhibit E.

**j) Loans:**

As of December 31, 2008 and 2007, the notes resulting from the restructuring process (Note 14.a) have been valued on the basis of the best estimate of the amount to be paid, discounted at a 10.5% annual nominal rate, which, in accordance with the Company's criterion, reasonably reflects market assessments of the time value of money and specific debt risks.

The adjustment to present value of future cash flows of the notes, at the market rate in effect at the time of the initial measurement, generated a loss of 8,457 and 21,495 as of December 31, 2008 and 2007, respectively.

During the years ended December 31, 2008 and 2007, the Company purchased at market prices and in successive operations all "discount notes" and part of the "fixed rate par notes due in 2016 and 2017", for nominal values of US\$ 50,033 thousand and US\$ 283,726 thousand, respectively.

As of December 31, 2008, the principal outstanding balance of the notes amounts to 907,000 (Note 14.a).

"Derivative financial instruments" (Note 14.b) have been valued in accordance with the provisions of section 2 of Technical Resolution No. 18 of the Argentine Federation of Professional Councils in Economic Sciences (FACPCE), which require that all derivative financial instruments be recognized as either assets or liabilities at their fair value, regardless of whether they are designated as hedging instruments or not.

Furthermore, the changes in the accounting basis of financial instruments not designated as hedging instruments have been recognized by the Company in the Financial income (expense) and holding gains (losses) generated by liabilities account of the Statement of Income under Exchange difference with a contra-account in Current Liabilities – Loans under Interest (Note 7).

**k) Shareholders' equity accounts:**

These accounts have been restated to reflect the effects of inflation as indicated in Note 2, except for the "Shareholders' Contributions - Nominal value" and "Additional Paid-in Capital" accounts which have been maintained at their nominal value. The excess of the adjusted value of Capital Stock over its nominal value has been included in the "Shareholders' Contributions – Adjustment to Capital" account.

The Treasury Stock account represents the nominal value of the Company's own shares acquired by the Company (Note 1)

**l) Statement of income accounts:**

- The accounts that accumulate monetary transactions have been disclosed at their nominal values.
- Financial income (expense) and holding gains (losses) have been disclosed separately under income (expense) generated by assets and by liabilities.
- The adjustment to present value of the notes is stated at nominal value.
- The adjustment to present value of trade receivables related to both the application of the retroactive tariff increase agreed upon in the Adjustment Agreement and the payment plan agreement signed with the Province of Buenos Aires for amounts deriving from the Framework Agreement is stated at nominal value.

**m) Income tax and tax on minimum presumed income:**

The Argentine GAAP require the application of the deferred tax method to account for income tax. This method consists of recognizing deferred tax assets and liabilities when temporary differences arise from the valuation of assets and liabilities for accounting and tax purposes. Regarding the restatement of property, plant and equipment to reflect the effects of inflation, the Company has applied Resolution MD (the Board) No. 11/03 of the CPCECABA and General Resolution No. 487/06 of the CNV (see Note 2 – Changes in Argentine GAAP).

The reconciliation between the income tax as charge to the statement of income for the years ended December 31, 2008 and 2007, and the amount that would result from applying the tax rate in effect (35%) to the income before taxes for each year, is as follows:

	<b><u>2008</u></b>	<b><u>2007</u></b>
Income for the year before taxes	184,289	247,442
Applicable tax rate	<u>35%</u>	<u>35%</u>
Income for the year at the applicable tax rate	64,501	86,605
Permanent differences		
Adjustment for inflation of property, plant and equipment	30,404	31,300
Accruals and other	<u>(33,731)</u>	<u>4,858</u>
Total income tax charge for the year before the allowance for impairment of value of deferred tax assets	61,174	122,763
Increase in the allowance for impairment of value of deferred tax assets	<u>0</u>	<u>2,221</u>
Total income tax charge for the year	61,174	124,984
Variation between deferred assets (liabilities) charged to income	<u>38,571</u>	<u>(124,984)</u>
Income tax for the year	<u>99,745</u>	<u>0</u>

<b>Allowance for impairment of value of deferred tax assets</b>		
Balance at beginning of year	34,482	32,261
Use of the allowance	(34,482)	0
Increase in the allowance for impairment of value of deferred tax assets	<u>0</u>	<u>2,221</u>
Balance at end of year	<u>0</u>	<u>34,482</u>

Additionally, the breakdown of deferred tax assets and liabilities as of December 31, 2008 and 2007 is as follows:

	<b><u>2008</u></b>	<b><u>2007</u></b>
<b>Non-current deferred tax assets</b>		
Tax-loss carry forward	8,316	42,798
Allowance for doubtful accounts	9,813	12,906
Accruals	74,823	45,926
Adjustment to present value of the retroactive tariff increase arising from the application of the new electricity rate schedule and other trade receivables	5,657	10,366
Supplies valuation	<u>107</u>	<u>50</u>



	<u>98,716</u>	<u>112,046</u>
<b>Non-current deferred tax liabilities</b>		
Current investments	(156)	(250)
Property, plant and equipment	(25,777)	(22,642)
Adjustment to present value of the notes	<u>7,985</u>	<u>(12,475)</u>
	<u>(17,948)</u>	<u>(35,367)</u>
<b>Net deferred tax assets before allowance for impairment of value of deferred tax assets (Note 5)</b>	<u>80,768</u>	<u>76,679</u>
<b>Allowance for impairment of value of net deferred tax assets (Note 5)</b>	<u>0</u>	<u>(34,482)</u>
<b>Net deferred tax assets</b>	<u>80,768</u>	<u>42,197</u>

The tax loss to be carried forward as of December 31, 2008 is as follows:

	Amount	Tax rate 35%	Year expiring
Tax loss carry forward 2005	23,761	8,316	2010

As tax losses become statute-barred within five years, the aforementioned tax loss may be applied to offset any future taxable income that may arise within this five-year term.

Additionally, the Company determines the tax on minimum presumed income by applying the current rate of 1% on the Company's taxable assets as of the end of each year. The tax on minimum presumed income and the income tax complement each other. The Company's tax obligation for a given 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 will be eligible for credit against a partial payment of any excess of the income tax over the tax on minimum presumed income that may arise in any of the ten subsequent fiscal years.

For the year ended December 31, 2008 the Company has estimated and recorded a minimum presumed income tax charge of 25,046, whereas for the year ended December 31, 2007 the recorded charge amounted to 15,879. The corresponding outstanding tax credits have been included in Other receivables.

**n) Operating leases:**

As lessee, EDENOR has lease contracts (buildings) which classify as operating leases.

Common characteristics of these lease contracts are that lease payments (installments) are established as fixed amounts; there are neither purchase option clauses nor renewal term clauses (except for the Handling and Energy Transformation Center contract 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 two to thirteen years.

Buildings are for commercial offices, two warehouses, the headquarters building (comprised of administration, commercial and technical offices), the Handling and Energy Transformation Center (two buildings and a plot of land located within the perimeter of Central Nuevo Puerto and Puerto Nuevo) and Las Heras substation.

As of December 31, 2008 and 2007, future minimum lease payments with respect to operating leases are as follow:

	<u>2008</u>	<u>2007</u>
2008	0	2,052
2009	6,031	179
2010	5,934	147
2011	2,275	147
2012	259	147
2013	203	147
2014	<u>147</u>	<u>147</u>
<b>Total minimum lease future payments</b>	<b><u>14,849</u></b>	<b><u>2,966</u></b>

Total rental expenses for all operating leases for the years ended December 31, 2008 and 2007 are as follow:

	<u>2008</u>	<u>2007</u>
<b>Total lease expenses</b>	5,013	2,405

As lessor, Edenor has entered into several operating lease contracts with certain cable television companies granting them the right to use poles of the Company's network. Most of such lease contracts include automatic renewal clauses.

As of December 31, 2008 and 2007, future minimum lease collections with respect to operating leases are as follow:

	<u>2008</u>	<u>2007</u>
2008	0	9,680
2009	10,303	7,577
2010	1,490	14
2011	0	9
2012	<u>0</u>	<u>9</u>
<b>Total minimum lease future collections</b>	<b><u>11,793</u></b>	<b><u>17,289</u></b>

Total rental income for all operating leases for the years ended December 31, 2008 and 2007, is as follows:

	<u>2008</u>	<u>2007</u>
<b>Total lease income (Note 11)</b>	10,463	10,745

**o) Labor cost liabilities and early retirements payable:**

They include the following charges:

- for supplementary benefits of leaves of absence derived from accumulated vacation,
- for seniority-based bonus to be granted to employees with a specified number of years of employment, as stipulated in collective bargaining agreements in effect (as of December 31, 2008 and 2007, the accrual for such bonuses amounted to 8,001 and 5,684, respectively), and
- for other personnel benefits (pension plan) to be granted to employees upon retirement, as stipulated in collective bargaining agreements in effect (as of December 31, 2008 and 2007, the accrual for these benefits amounted to 18,048 and 13,367, respectively).

Liabilities related to the above-mentioned seniority-based bonus and other personnel benefits

(pension plans) to be granted to employees, have been determined taking into account all rights accrued by the beneficiaries of both plans as of December 31, 2008 and 2007, respectively, on the basis of an actuarial study conducted by an independent actuary as of December 31, 2008. Such liabilities have been disclosed under the “Salaries and social security taxes” account as seniority-based bonus and other personnel benefits, respectively (Note 8).

Early retirements payable corresponds to individual optional agreements. After employees reach a specific age, the Company may offer them this option. The related accrued liability represents future payment obligations which as of December 31, 2008 and 2007 amount to 6,815 and 2,394 (current) and 14,041 and 5,643 (non-current), respectively (Note 8).

The periodical components of the personnel benefits plan for the years ended December 31, 2008 and 2007, which are disclosed in Other (expense) income, net under Voluntary retirements – terminations (Note 12), are as follow:

	<u>2008</u>	<u>2007</u>
Cost	1,488	1,125
Interest	4,441	2,874
Amortization of recognized net actuarial loss	<u>779</u>	<u>760</u>
	<u>6,708</u>	<u>4,759</u>

The detail of the variations in the Company’s payment commitments under the personnel benefits plan as of December 31, 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
Payment commitments under the personnel benefits plan at the beginning of the year	19,083	15,352
Cost	1,488	1,125
Interest	4,441	2,874
Actuarial loss	3,638	761
Benefits paid to participating employees	<u>(2,027)</u>	<u>(1,029)</u>
Payment commitments under the personnel benefits plan at the end of the year	<u>26,623</u>	<u>19,083</u>
Payment commitments under the personnel benefits plan at the end of the year	26,623	19,083
Unrecognized net actuarial loss	<u>(8,575)</u>	<u>(5,716)</u>
Total personnel benefits plan (Note 8)	<u>18,048</u>	<u>13,367</u>

Actuarial assumptions used were the following:

	<u>2008</u>
Discount rate	18%
Salary increase	15%
Inflation	11.5%

The actuarial method used by the Company is the “Projected Unit Credit Method”.

As of December 31, 2008 and 2007, the Company does not have any assets related to the personnel benefit plan (pension plan).

**p) Customer deposits and contributions:**

**Customer deposits:**

Under the Concession Agreement, the Company is allowed to receive customer deposits in the following cases:

1. When the power supply is requested and the user is unable to provide evidence of his legal ownership of the premises;
2. When service has been suspended more than once in one-year period;
3. When the power supply is reconnected and the Company is able to verify the illegal use of the service (fraud).
4. 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 called "reference" rate.

When a customer requests that the supply service be disconnected, the customer's deposit is credited (principal amount plus any interest accrued up to the date of reimbursement). Any balance outstanding at the time of requesting the disconnection of the supply service is deducted from the amount so credited. Similar procedures are followed when the supply service is disconnected due to a lack of customer payment. Consequently, the Company recovers, either fully or partially, any amount owed for electric power consumption.

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.

#### **Customer contributions:**

The Company receives advances from certain customers for services to be provided based on individual agreements. Such advances are stated at nominal value as of the end of each year.

#### **q) Revenue recognition:**

Revenues from operations are recognized on an accrual basis and derive mainly from electricity distribution. Such revenues include electricity supplied, whether billed or unbilled, at the end of each year and have been valued on the basis of applicable tariffs.

The Company also recognizes revenues from other concepts included in distribution services, such as new connections, rights of use on poles, transportation of electricity to other distribution companies, etc.

All revenues are recognized when the Company's revenue earning process has been substantially completed, the amount of revenues may be reasonably measured and the economic benefits associated with the transaction flow to the Company.

During the year ended December 31, 2007, the Company recognized revenues from the retroactive tariff increase deriving from the application of the electricity rate schedule resulting from the RTT to non-residential consumption for the period of November 2005 through January 31, 2007 (Note 17.b) as it was during this fiscal year that the new electricity rate schedule was approved by Resolution No. 51/2007 of the ENRE and applied as from February 1, 2007.

On October 4, 2007 the *Official Gazette* published Resolution No. 1037/2007 of the National Energy Secretariat. Said resolution establishes that the amounts paid by the Company for the Quarterly Adjustment Coefficient (CAT) implemented by Section 1 of Law No. 25,957, as well as the amounts corresponding to the Cost Monitoring Mechanism (MMC) for the period May 2006 through April 2007 (Note 17 b and c) be deducted from the funds resulting from the difference between surcharges billed and discounts made to customers, deriving from the implementation of the Program for the Rational Use of Electric Power (PUREE), until their transfer to the tariff is granted by the regulatory authority. The resolution also establishes that the MMC adjustment for the period May 2006 through April 2007, applicable as from May 1, 2007, amounts to 9.63 %.

Additionally, on October 25, 2007 the ENRE issued Resolution No. 710/2007 which approves the MMC compensation mechanism established in the aforementioned Resolution No. 1037/2007 of the National Energy Secretariat.

The amounts corresponding to the Cost Monitoring Mechanism (MMC) for the period May 2006 through April 2007 as well as those corresponding to the period May 2007 through October 2007 were transferred to the tariff as from July 1, 2008, in accordance with the provisions of Resolution No. 324/2008 (Note 17.b).

By Note No. 1383 dated November 26, 2008 of the National Energy Secretariat, the ENRE was instructed to consider the earmarking of the funds deriving from the application of the Cost Monitoring Mechanism (MMC) corresponding to the period May 2007 through October 2007 whose recognition was pending, and to allow that such funds be deducted from the excess funds deriving from the application of the Program for the Rational Use of Electric Power (PUREE), in accordance with the provisions of Resolution No. 1037/2007 of the National Energy Secretariat. The MMC adjustment of 7.56% for the period May 2007 through October 2007, applicable as from November 1, 2007, amounted to 45,530 (Note 17.a).

**r) Estimates:**

The preparation of the financial statements in accordance with Argentine GAAP requires the Company's Board of Directors and Management to make estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results and amounts may differ from the estimates used in the preparation of the financial statements.

**s) Earnings per common share:**

It has been computed on the basis of the number of shares outstanding as of December 31, 2008 and 2007 which amounts to 897,042,600 (net of the treasury shares as of December 31, 2008 for 9,412,500) and 906,455,400 respectively. There is no earning (loss) per share dilution, as the Company has issued neither preferred shares nor corporate notes convertible into common shares.

**t) Segment information:**

In accordance with the provisions of TR No. 18, the Company is required to disclose segment information provided certain requirements are met. This Resolution establishes the criterion to be followed for reporting information on operating segments in annual financial statements, and requires the reporting of selective information on operating segments in interim financial reports. Operating segments are those components of a company's activity about which different financial information may be obtained, whether for the allocation of resources or the determination of an asset's performance. TR No. 18 also establishes the criterion to be applied by a company to disclose its products and services, geographical areas and major customers.

The Company is a natural monopoly that operates in a single business segment, electricity distribution and sale in a specific geographical area, pursuant to the terms of the concession agreement that governs the provision of this public service. The Company's activities have similar economic characteristics and are similar as to the nature of their products and services and the electricity distribution process, the type or category of customers, the geographical area and the methods of distribution. Management evaluates the Company's performance based on net income. Accordingly, the disclosure of information as described above is not necessary.

**u) Risk management:**

The Company operates mainly in Argentina. Its business may be affected by inflation, currency devaluation, regulations, interest rates, price controls, changes in governmental economic policies, taxes and other political and economic-related issues affecting the country. The majority of the Company's assets are either non-monetary or denominated in Argentine pesos, whereas the majority of its liabilities are denominated in U.S. dollars. As of December 31, 2008, a minimum

portion of the Company's debts accrues interest at floating rates; consequently the Company's exposure to interest rate risk is limited (Note 14.a).

As of December 31, 2008, the Company has derivative financial instruments with the aim of hedging the foreign currency exchange rates of the cash flows that the Company must pay on the next two interest payment dates of its financial debt –Floating Rate Par Notes and Class 7 Notes (Note 14.b).

As of December 31, 2007, the Company had not entered into any foreign currency forward contracts or floating interest rate forward contracts.

**v) Concentration risks:**

**Related to customers**

The Company's accounts receivable derive primarily from the sale of electric power.

No single customer accounted for more than 10% of sales for the years ended December 31, 2008 and 2007. The collectibility of trade receivables balances related to the Framework Agreement, which amount to 49,390 and 29,079 as of December 31, 2008 and 2007, respectively, as disclosed in Notes 4 and 13, is subject to compliance with the terms of such agreement.

**Related to employees who are union members**

As of December 31, 2008, approximately 78% of the Company's employees were union members. Although the relationship with unions is currently stable, the Company may not ensure that there will be no work disruptions or strikes in the future, which could have a material adverse effect on the Company's business and the results of operations. Furthermore, collective bargaining agreements signed with unions expired at the end of the 2007 fiscal year. There is no guarantee that the Company will be able to negotiate new collective bargaining agreements under the same terms as those currently in place or that there will be no strikes before or during the negotiation process.

The Bid Package sets forth the responsibilities of both SEGBA and the Company in relation to the personnel transferred by SEGBA through Resolution No. 26/92 of the Energy Secretariat. According to the Bid Package, SEGBA will be fully liable for any labor and social security obligations accrued or originated in events occurred before the take-over date, as well as for any other obligations deriving from lawsuits in process at such date.

During 2005, two new collective bargaining agreements were signed with the Sindicato de Luz y Fuerza de la Capital Federal and the Asociación de Personal Superior de Empresas de Energía, which expired on December 31, 2007 and October 31, 2007, respectively. These agreements were approved by the Ministry of Labor and Social Security on November 17, 2006 and October 5, 2006, respectively.

As of the date of issuance of these financial statements, meetings aimed at negotiating the renewal terms of both collective bargaining agreements are being held with the above-mentioned unions.

**w) Foreign currency translation/ transactions:**

The Company accounts for foreign currency denominated assets and liabilities and related transactions as follows:

The accounting measurements of purchases, sales, payments, collections, other transactions and outstanding balances denominated in foreign currency are translated into pesos using the exchange rates described below. Thus, the resulting amount in pesos represents the amount collected or to be collected, paid or to be paid.

For conversion purposes, the following exchange rates are used:

a) the exchange rate in effect at the date of the transaction, for payments, collections and other transactions denominated in foreign currency; and

b) the exchange rate in effect at the date of the financial statements, for assets and liabilities denominated in foreign currency.

For transactions and balances denominated in foreign currency, the bid price is used for assets, and the offer price is used for liabilities.

The effect of such transactions has been included in the Statements of Income as “Exchange difference” under “Financial income (expense) and Holding gains (losses)”.

#### 4. TRADE RECEIVABLES

The detail of trade receivables as of December 31, 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
<b>Current:</b>		
Receivables from sales of electricity:		
Billed	166,958	152,763
Unbilled		
Sales of electricity	209,879	123,641
Retroactive tariff increase arising from the application of the new electricity rate schedule (Note 17.b item d)	39,361	44,101
Adjustment to present value of the retroactive tariff increase arising from the application of the new electricity rate schedule (Note 3.c)	(2,516)	(2,526)
Framework Agreement (Notes 3.c and 13)	49,390	29,079
Framework Agreement - Payment plan agreement with the Province of Bs. As. (Note 13)	2,292	13,557
Adjustment to present value of the Framework Agreement - Payment plan agreement with the Province of Bs. As. (Note 3.c)	0	(212)
National Fund of Electricity (Note 17.a)	2,812	3,036
Specific fee payable for the expansion of the network, transportation and others (Note 17.b)	929	12,628
In litigation	<u>10,014</u>	<u>9,918</u>
Subtotal	479,119	385,985
Less:		
Allowance for doubtful accounts (Exhibit E)	<u>(33,097)</u>	<u>(40,006)</u>
	<u>446,022</u>	<u>345,979</u>
	<u>2008</u>	<u>2007</u>
<b>Non-Current:</b>		
Receivables from sales of electricity:		
Unbilled		
Retroactive tariff increase arising from the application of the new electricity rate schedule (Note 17.b item d)	79,487	127,180
Adjustment to present value of the retroactive tariff increase arising from the application of the new electricity rate schedule (Note 3.c)	<u>(13,648)</u>	<u>(26,880)</u>
	<u>65,839</u>	<u>100,300</u>

## 5. OTHER RECEIVABLES

The detail of other receivables as of December 31, 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
<b>Current:</b>		
Prepaid expenses	976	1,343
Advances to suppliers	3,088	224
Advances to personnel	7,451	685
Related parties (Note 15)	449	448
Prepaid Technical Assistance Services (1)	0	15,182
Writs of attachment under ENRE proceedings - (Note 17.a)	59	59
Other debtors (2)	15,271	7,271
Tax credit on minimum presumed income (3) (Note 3.m)	10,255	0
Tax on financial transfers	3,866	567
Allowance for other doubtful accounts (Exhibit E)	(4,573)	(2,900)
Other (4)	<u>5,959</u>	<u>3,111</u>
	<u>42,801</u>	<u>25,990</u>
<b>Non-current:</b>		
Prepaid expenses	1,680	0
Tax credit on minimum presumed income (3) (Note 3.m)	16,956	101,910
Net deferred tax assets (Note 3.m)	80,768	76,679
Allowance for impairment of value of deferred tax assets (Exhibit E)	0	(34,482)
Other	<u>68</u>	<u>0</u>
	<u>99,472</u>	<u>144,107</u>

- (1) In foreign currency (Exhibit G).
- (2) Includes 852 and 769 in foreign currency (Exhibit G) as of December 31, 2008 and 2007, respectively.
- (3) Net of the income tax for the year (Note 3.m) for 99,745 as of December 31, 2008.
- (4) Includes 11 in foreign currency (Exhibit G) as of December 31, 2008.



## 6. TRADE ACCOUNTS PAYABLE

The detail of trade accounts payable as of December 31, 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
<b>Current:</b>		
Payables for purchase of electricity and other purchases (1)	217,086	221,098
Unbilled electric power purchases	97,619	82,191
Customer contributions (Note 3.p)	23,078	11,759
Other	<u>1,478</u>	<u>1,104</u>
	<u>339,261</u>	<u>316,152</u>

### Non-Current:

Customer deposits (Note 3.p)	<u>40,154</u>	<u>35,466</u>
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(1) Includes 23,093 and 34,633 in foreign currency (Exhibit G) as of December 31, 2008 and 2007, respectively. Also, includes balances with SACME S.A. for 910 and 757 as of December 31, 2008 and 2007, respectively, with Errecondo, Salaverri, Dellatorre, Gonzalez & Burgio for 6 and 74 as of December 31, 2008 and 2007, respectively, and balance with Prestamos y Servicios S.A. for 7 as of December 31, 2008 (Note 15).

## 7. LOANS

The detail of loans as of December 31, 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
<b>Current:</b>		
Financial loans:		
Principal (1)	17,771	12,200
Interest (2)	<u>462</u>	<u>16</u>
Subtotal financial loans	18,233	12,216
Corporate Notes:		
In foreign currency (Exhibit G and Note 14)		
Interest (3) (Note 14)	<u>9,012</u>	<u>17,074</u>
	<u>27,245</u>	<u>29,290</u>
<b>Non-current:</b>		
Financial loans:		
Principal	33,334	0
Corporate Notes:		
In foreign currency (Exhibit G and Note 14.a)		
Fixed Rate Notes – Class 7	699,232	692,779
Fixed and Incremental Rate Par Notes – Class A	148,960	228,262
Fixed and Incremental Rate Par Notes – Class B	15,107	23,810
Floating Rate Par Notes – Class A	<u>43,701</u>	<u>39,854</u>
Subtotal corporate notes	907,000	984,705
Adjustment to present value of notes (Note 3.j)	<u>(27,186)</u>	<u>(35,643)</u>
Corporate Notes at present value	<u>879,814</u>	<u>949,062</u>
	<u>913,148</u>	<u>949,062</u>

- (1) Includes 1,105 in foreign currency (Exhibit G) as of December 31, 2008.
- (2) Includes 35 in foreign currency (Exhibit G) as of December 31, 2008.
- (3) Net of 7,905 related to derivative financial instruments as of December 31, 2008 (Note 14.b).

## 8. SALARIES AND SOCIAL SECURITY TAXES

The detail of salaries and social security taxes as of December 31, 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
<b>Current:</b>		
Salaries payable and accruals	79,315	51,870
Social Security (ANSES)	8,657	5,640
Early retirements payable (Note 3.o)	<u>6,815</u>	<u>2,394</u>
	<u>94,787</u>	<u>59,904</u>
<b>Non-Current (Note 3.o):</b>		
Personnel Benefits Plan (Note 3.o)	18,048	13,367
Seniority-based bonus	8,001	5,684
Early retirements payable	<u>14,041</u>	<u>5,643</u>
	<u>40,090</u>	<u>24,694</u>

## 9. TAXES

The detail of taxes as of December 31, 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
<b>Current:</b>		
Provincial, municipal and federal contributions and taxes	22,796	25,212
Value Added Tax (VAT)	32,912	22,411
Income Tax / Minimum presumed income	22,151	6,786
Withholdings	5,436	5,077
Municipal taxes	21,844	20,823
Other	<u>5,882</u>	<u>4,332</u>
	<u>111,021</u>	<u>84,641</u>

## 10. OTHER LIABILITIES

The detail of other liabilities as of December 31, 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
<b>Current:</b>		
Capital expenditures fund – CAMMESA (Note 17.b)	2,066	1,931
Fees related to the initial public offering of capital stock (1)	0	818
Fees related to the issuance of Corporate Notes (2) (Exhibit G and Note 14.a)	0	4,176
Program for the rational use of electric power (PUREE)	33,494	91
Other (3)	<u>8,448</u>	<u>2,694</u>
	<u>44,008</u>	<u>9,710</u>
<b>Non-current:</b>		
ENRE penalties (Note 17 a and b)	331,613	281,395
Other (4)	<u>3,903</u>	<u>0</u>
	<u>335,516</u>	<u>281,395</u>

- (1) In foreign currency (Exhibit G).
- (2) Includes balance with Errecondo, Salaverri, Dellatorre, Gonzalez & Burgio for 628 as of December 31, 2007 (Note 15).
- (3) Includes 1,292 and 1,855 in foreign currency (Exhibit G) as of December 31, 2008 and 2007, respectively. Additionally, includes 4,373 related to the software lease agreement (Note 3.g).
- (4) Software lease agreement (Note 3.g).

## 11. NET SALES

The breakdown of net sales for the years ended December 31, 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
Sales of electricity (1)	1,966,017	1,948,737
Late payment charges	17,764	17,099
Pole leases (Note 3.n)	10,463	10,745
Connection charges	3,729	3,986
Reconnection charges	<u>2,225</u>	<u>1,361</u>
	<u>2,000,198</u>	<u>1,981,928</u>

- (1) Net of ENRE discounts and penalties for 34,775 and 23,940 for the years ended December 31, 2008 and 2007, respectively (Note 17 a and b). As of December 31, 2007 and 2008, includes 218,591 related to the retroactive tariff increase arising from the application of the electricity rate schedule resulting from the RTT (Note 17.b. item d) and 84,585 related to the application of the Cost Monitoring Mechanism (MMC), respectively (Note 17.a).

## 12. OTHER (EXPENSE) INCOME - NET

The breakdown of other (expense) income - net for the years ended December 31, 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
Non-operating income	8,392	1,467
Commissions on municipal taxes collection	2,291	1,761
Net expense from technical services	(1,566)	(1,770)
Voluntary Retirements - Bonuses	(31,334)	(7,192)
Severance paid	(4,228)	(4,283)
Accrued litigation (Exhibit E)	(19,900)	(16,750)
Disposal of property, plant and equipment	(1,910)	(1,105)
Recovery of technical assistance services and financial expenses		
EDF Internacional (Note 15)	0	14,485
Income from reimbursements of network replacement	0	7,203
Recovery of allowance for doubtful accounts (1)	14,087	0
Other	<u>4,343</u>	<u>7,180</u>
	<u>(29,825)</u>	<u>996</u>

(1) Refers to Framework Agreement with the Federal Government (Note 13, Exhibit E and Exhibit H).

## 13. FRAMEWORK AGREEMENT

On January 10, 1994, the Company, together with EDESUR S.A., the Argentine Federal Government and the Government of the Province of Buenos Aires signed a Framework Agreement aimed at resolving the issue of supplying electricity to low-income areas and shantytowns. Pursuant to such Framework Agreement, the Company is entitled to receive compensation from a Special Fund for any non-payments of electricity supplied to low-income areas and shantytowns.

As permitted by section 13 of the Agreement, which stipulated that the terms and conditions of the Agreement could be subject to review and/or adjustments under certain circumstances, and taking into account that not all of the objectives of the Agreement could be completely fulfilled within the originally stipulated period, although most of them had been accomplished, and considering also that new shantytowns had appeared which had to be recognized, the parties agreed to extend the term of the Agreement for an additional fifty-month period ending August 31, 2002. During such additional period the original provisions of the Framework Agreement and the Regulations continued to be in effect. Furthermore, a new population census was conducted so as to identify those shantytowns which up to then had not been recognized.

On October 6, 2003, the Company signed a new Framework Agreement with the Argentine Federal Government and the Government of the Province of Buenos Aires, whose purpose was similar to that of the previous agreement, and which retroactively covered all the services provided as from September 1, 2002. The term of the new framework agreement was four years to commence as from January 1, 2003 and could be renewed for another four-year term should the parties so agree. The aforementioned Framework Agreement expired on December 31, 2006

On October 26, 2006, the Company entered into a Payment Plan Agreement with the Government of the Province of Buenos Aires which establishes the conditions according to which the Province of Buenos Aires will honor its obligation to the Company amounting to 27,114, for the period September 2002 through June 2006, which the Province agrees to verify in accordance with the provisions of chapter VI - section 13 and related sections- of the Fund Regulations of the New Framework Agreement. Furthermore,

the Province agrees to pay the debt resulting from the aforementioned verification, in 18 equal, consecutive and monthly installments.

As of December 31, 2008 and 2007, the balance corresponding to the aforementioned payment plan agreement amounts to 2,292 and 13,557, respectively (Note 4).

On September 22, 2008, the *Official Gazette* published Resolution No. 900/2008 of the Ministry of Federal Planning, Public Investment and Services which ratifies the Addendum to the New Framework Agreement entered into by the Federal Government and the Company, according to which the term of the agreement is renewed for a period of four years to commence as from January 1, 2007 (Note 12 and Exhibit E).

Additionally, the Company continues negotiating the renewal of such agreement with the Government of the Province of Buenos Aires. However, the Company continues supplying electricity to low income areas and shantytowns.

As of December 31, 2008 and 2007, the balance with the Argentine Federal Government and the Government of the Province of Buenos Aires for this concept amounts to 49,390 and 29,079 respectively (Note 4).

## **14. CORPORATE NOTES PROGRAM**

### **a) RESTRUCTURING OF FINANCIAL DEBT**

On January 19, 2006, the Board of Directors approved the launching of a solicitation of consent for the restructuring of the Company's financial debt through the exchange of such debt for a combination of cash and notes (the Restructuring) pursuant to a voluntary exchange offer (the Voluntary Exchange Offer) and/or an out-of-court reorganization agreement (*Acuerdo Preventivo Extrajudicial*) (the APE).

The restructuring of the Company's debt was carried out through the fiscal year ended December 31, 2006. As a result of the restructuring process, the defaulted debt prior to the restructuring, which amounted to US\$ 540.9 million as of February 22, 2006, was reduced to US\$ 376.4 million, with an average term of more than 8 years, at an average cost of 8% and final maturity in 2019.

On February 23, 2006, the Annual General Meeting approved the extension of the Global Medium-Term Corporate Notes Issuance Program for a Maximum Amount (outstanding at any time) of up to US\$ 600 million (or its equivalent in any other currency). Said extension was also approved by the CNV through Resolution No. 15,359 issued by the CNV's Board of Directors on March 23, 2006.

In the meeting held on June 14, 2007, the Company's Board of Directors approved the updating of the Trust Agreement for the issuance of corporate notes that had been duly approved by the CNV, as required by section 76 of Chapter VI of the CNV's Regulations.

On June 28, 2007, the Company's Board of Directors' meeting approved the issuance and public offering, within the framework of the Program and under the terms of Law No. 23,576 as amended, of fixed rate Corporate Notes for a nominal value of up to US\$ 250 million with maximum maturity in 2017. On October 9, 2007, the Company issued and carried out the public offering of Class 7 Corporate Notes for US\$ 220 million. The 10-year term Corporate Notes were issued at an issue price of 100% of the principal amount, and accrue interest as from the date of issuance at a fixed rate of 10.5% per annum, payable on April 9 and October 9 of each year, with the first interest payment maturing on April 9, 2008. The principal will be amortized by a lump sum payment at maturity date on October 9, 2017. The Company has requested authorization for the trading of the Corporate Notes on the Buenos Aires Stock Exchange, the Mercado Abierto Electrónico S.A. (the OTC market of Argentina), the Luxembourg Stock Exchange, and the Euro MTF Market, which is the alternative market of the Luxembourg Stock Exchange. Furthermore, the Company may request authorization for the listing of the Corporate Notes on the PORTAL Market as well as authorization for their trading and/or negotiation on any other stock exchange and/or self-regulated market of Argentina and/or abroad.

Most of the net proceeds from the sale of the Corporate Notes were used for the purchase, payment or redemption of the Company's outstanding Discount Corporate Notes due in 2014.

During the years ended December 31, 2008 and 2007, the Company purchased at market prices and in successive operations all “discount notes” and part of the “fixed rate par notes due in 2016 and 2017”, for nominal values of US\$ 50,033 thousand and 283,726 thousand, respectively.

Therefore, the Company’s debt structure as of December 31, 2008 and 2007 was comprised of the following Notes:

Type	Class	Debt structure as of December 31, 2007 in thousands of US\$	Debt purchase as of December 31, 2008 in thousands of US\$ (*)	Post-purchase debt structure in thousands of US\$	Balance as of Dec. 31, 2008 (Note 7) in thousands of pesos
Fixed Rate Par Note	A	72,487	(29,347)	43,140	148,960
	B	7,561	(3,186)	4,375	15,107
Floating Rate Par Note	A	12,656	0	12,656	43,701
Discount Note	A	0	0	0	0
	B	0	0	0	0
Fixed Rate Par Note	7	220,000	(17,500)	202,500	699,232
<b>Total</b>		<b>312,704</b>	<b>(50,033)</b>	<b>262,671</b>	<b>907,000</b>

(\*) As of December 31, 2008, the Company has in its portfolio Class 7 fixed rate par notes for a nominal value of 11,500.

Type	Class	Initial debt structure in thousands of US\$	Debt purchase as of December 31, 2007 in thousands of US\$	Post-purchase debt structure in thousands of US\$	Balance as of Dec. 31, 2007 (Note 7) in thousands of pesos
Fixed Rate Par Note	A	73,485	(998)	72,487	228,262
	B	50,289	(42,728)	7,561	23,810
Floating Rate Par Note	A	12,656	0	12,656	39,854
Discount Note	A	152,322	(152,322)	0	0
	B	87,678	(87,678)	0	0
Fixed Rate Par Note	7	220,000	0	220,000	692,779
<b>Total</b>		<b>596,430</b>	<b>(283,726)</b>	<b>312,704</b>	<b>984,705</b>

Additionally, from January 1, 2009 to the date of issuance of these financial statements, the Company partially repurchased at market prices and in successive operations “par notes” due in 2016 and 2017 for a nominal value of US\$ 36,179 thousand (Note 25.a).

The principal amortization schedule broken down by year of total debt, without considering possible adjustments, prepayments, redemptions or cancellations is detailed in the table below:

<u>Year</u>	<u>Amount in thousands of US\$</u>
2011	5,384
2012	5,384
2013	5,384
2014	5,384
2015	5,384
2016	24,391
2017	203,766
2018	1,266
2019	<u>6,328</u>
	<u>262,671</u>

The main covenants are the following:

#### 1) Negative Covenants

The terms and conditions of the Corporate Notes include a series of negative covenants that limit the Company's actions with regard to, among others, the following:

- encumbrance or authorization to encumber its property or assets;
- incurrence of indebtedness, in certain specified cases;
- sale of the Company's assets related to its main business;
- carrying out of transactions with shareholders or related parties;
- making certain payments (including, among others, dividends, purchases of Edenor's common shares or payments on subordinated debt).

#### 2) Suspension of Covenants

Certain negative covenants stipulated in the trust agreement will be suspended or adjusted if:

- (a) The Company's long-term debt rating is raised to Investment Grade, or
- (b) The Company's Level of Indebtedness is equal to or lower than 2.5.

If the Company subsequently losses its Investment Grade rating or its Level of Indebtedness is higher than 2.5, as applicable, the suspended negative covenants will be once again in effect.

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

#### 3) Registration Rights

In accordance with the Registration Rights Agreement, the Company filed with the SEC an application requesting authorization in connection with an authorized exchange offer of the Corporate Notes for new notes of the same class registered with the SEC in accordance with the Securities Act, representing the same outstanding debt and subject to similar terms and conditions.

The exchanged corporate notes would have no restrictions concerning their transfer and would be freely transferable after the authorized exchange offer by those Corporate Notes holders who are not related parties of the Company.

## b) DERIVATIVE FINANCIAL INSTRUMENTS

During the year ended December 31, 2008, the Company has carried out transactions with derivative financial instruments with the aim of hedging the foreign currency exchange rate of the cash flows and derivatives of the following transactions:

1) Floating Rate Par Notes (Note 14.a):

<u>Settlement Date</u>	<u>Amount of Underlying Liability</u> <u>In thousands of US\$</u>	<u>Amount of Underlying Liability</u> <u>In thousands of pesos</u>
06/12/09	2,401	8,273
12/11/09	2,401	8,273

2) Class 7 Notes (Note 14.a):

<u>Settlement Date</u>	<u>Amount of Underlying Liability</u> <u>In thousands of US\$</u>	<u>Amount of Underlying Liability</u> <u>In thousands of pesos</u>
04/08/09	11,550	39,420
10/08/09	11,550	39,420

These instruments provide an economic and financial hedge of the amounts in foreign currency that the Company must pay on the next two interest payment dates of its financial debt -Floating Rate Par Notes and Class 7 Notes (Note 14.a)-, in the event of fluctuations in foreign currency exchange rates. The Company has not formally designated these transactions as hedging instruments. Therefore, they have been recorded in the accounting in accordance with the provisions of Technical Resolution No. 18 of the Argentine Federation of Professional Councils in Economic Sciences (FACPCE), which require that derivative instruments not designated as effective hedging instruments be recorded at their net realizable value or settlement value, depending on whether they have been classified as assets of liabilities, with a contra-account in the financial gains or losses for the year.

The economic impact of this transaction has been recorded in the Financial income (expense) and holding gains (losses) generated by liabilities account of the Statement of Income under Exchange difference with a contra-account in Current Liabilities – Loans under Interest (Note 7).

## 15. BALANCES AND TRANSACTIONS WITH THE CONTROLLING COMPANY AND RELATED PARTIES

In the normal course of business, the Company carries out transactions with the controlling company and related parties.

As of December 31, 2008 and 2007, the outstanding balances with the controlling company and related parties are as follow:

	<u>2008</u>	<u>2007</u>
<u>Current investments</u> (Exhibit D)		
Central Térmica Güemes	393	0
<b>Total</b>	<b>393</b>	<b>0</b>
<u>Other receivables</u> (Note 5)		
Electricidad Argentina S.A.	1	0
SACME S.A.	448	448
<b>Total</b>	<b>449</b>	<b>448</b>
<u>Trade accounts payable</u> (Note 6)		



Errecondo, Salaverri, Dellatorre, Gonzalez & Burgio	(6)	(74)
SACME S.A.	(910)	(757)
Préstamos y Servicios S.A.	(7)	0
<b>Total</b>	<b>(923)</b>	<b>(831)</b>

Other liabilities (Note 10)

Errecondo, Salaverri, Dellatorre, Gonzalez & Burgio	0	(628)
<b>Total</b>	<b>0</b>	<b>(628)</b>

Non-Current Investments (Exhibit D)

Central Térmica Güemes	10,784	0
<b>Total</b>	<b>10,784</b>	<b>0</b>

Transactions carried out with the controlling company and related parties for the years ended December 31, 2008 and 2007 are as follow:

	<u>2008</u>	<u>2007</u>
<u>Other income</u>		
Electricidad Argentina S.A.	9	8
Préstamos y Servicios S.A.	2	0
<b>Total</b>	<b>11</b>	<b>8</b>
<u>Expenses from services</u>		
SACME S.A.	(4,256)	(3,337)
Electricidad Argentina S.A.	(224)	(275)
EDF S.A. (*)	0	(3,727)
Préstamos y Servicios S.A.	(42)	0
Errecondo, Salaverri, Dellatorre, Gonzalez & Burgio	(220)	0
<b>Total</b>	<b>(4,742)</b>	<b>(7,339)</b>
<u>Financial expenses and interest</u>		
Electricidad Argentina S.A.	(7,898)	(6,219)
Errecondo, Salaverri, Dellatorre, Gonzalez & Burgio	(160)	(4,352)
<b>Total</b>	<b>(8,058)</b>	<b>(10,571)</b>

(\*) As from the international secondary offering described in Note 1, EDF S.A. and EDF International are no longer a related party.

**Operating and Technical Assistance Agreements**

In compliance with the provisions of both the Bid Package and the Transfer Contract, the Company has entered into an Operating Agreement with EDF International and ENHER, pursuant to which EDF International and ENHER would provide technical advisory services concerning the distribution and sale of electricity and would commit their experience and know-how to the achievement of an efficient and competitive management.

On July 16, 1999, ENHER assigned its rights and obligations arising from the above mentioned Operating Agreement to its controlling company ENDESA S.A.

On May 4, 2001, in compliance with that mentioned in Note 1, ENDESA S.A. assigned its rights and obligations under the Operating Agreement to EDF International, thus leaving EDF International as the sole operator.

This Operating Agreement had an initial 10-year term as from September 1, 1992, which was extended until August 31, 2007.

The Company has registered said extension in the National Institute of Copyright (INPI) - Technology Transfer Division under number 9894.

On September 15, 2005, EDF International transferred the shares held in EASA (the controlling company of Edenor) and 14% of EDENOR's shares to Dolphin. In connection with such transfer, the parties agreed to terminate the aforementioned Agreement and reduce the amount owed to EDF International for unpaid fees which amounted to 25,852.

However, since the Company still wished to have access to EDF S.A.'s know-how, experience and technical knowledge in the field of electricity distribution and sale, the Company and EDF S.A. entered into a new Technical Assistance Agreement for a period of 5 years or for such period during which Dolphin continued to be the controlling company of Electricidad Argentina S.A. In accordance with the terms of the Technical Assistance Agreement, EDENOR would pay EDF S.A. an amount of US\$ 10,000,000 as technical assistance fees in five equal annual installments of US\$ 2,000,000. The first annual payment was made on January 9, 2006 and the second payment was made on December 14, 2006.

On December 7, 2005, the Company registered the new agreement in the National Institute of Copyright (INPI) - Technology Transfer Division under number 11,197.

On December 27, 2007, the Company and EDF S.A. signed an amendment to the aforementioned Agreement, pursuant to which the parties agreed that, due to circumstances beyond their control, during 2006 and 2007 the amount of services required by the Company and provided by EDF S.A. within the scope of the Technical Assistance Agreement had been significantly lower than that originally expected by the parties. On the contrary, during 2008, EDF S.A. will be required to provide a greater amount of services relating to the Revision of the Company Tariff Structure process, the changes made to the Company's commercial and invoicing system and the broadening of the Company's investment plan. Consequently, the Company requested and EDF S.A. granted the following: (i) that EDF S.A. recognize a rebate of US\$ 2,100 thousand, equivalent to 6,613, in relation to the US\$ 4,000 thousand already paid in accordance with the Technical Assistance Agreement, and (ii) that during 2008 EDF S.A. continue to provide services under the terms and conditions of the aforementioned Agreement, whose expiration date was fixed for December 31, 2008.

Based on the amount of work that is expected, the Company agreed to pay EDF S.A. an amount of US\$ 6,000 thousand. From such amount, the Company deducted a total of US\$ 4,600 thousand, equivalent to 14,485, which is comprised of: (i) the aforementioned rebate for US\$ 2,100 thousand, and (ii) a receivable for US\$ 2,500 thousand, recognized by EDF International in favor of the Company as a reimbursement of the expenses incurred during the year ended December 31, 2006 in relation to the initial public offering of the Company's capital stock. In accordance with the agreement signed by the parties, IPO expenses may be offset against services rendered by any affiliate of EDF International. Accordingly, after having made such deductions, on December 28, 2007, the Company paid EDF S.A. the amount of US\$ 1,400 thousand.

#### **Agreement with Electricidad Argentina S.A. (controlling company)**

On April 4, 2006, the Company and EASA entered into an agreement pursuant to which EASA will provide technical advisory services on financial matters as from September 19, 2005 and for a term of five years. In consideration of these services, EDENOR will pay EASA an annual amount of US\$ 2,000,000 plus VAT. 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.

At the meeting held on April 22, 2008, the Board of Directors approved the addendum to the agreement for the provision of technical advisory services dated March 14, 2008.

The aforementioned addendum stipulates that the amount to be paid by the Company in consideration of

the services provided by Electricidad Argentina S.A. has been increased to US\$ 2,500,000 plus VAT, payable retroactively as from January 1, 2008. The rest of the contractual terms have not been modified.

#### **Agreement with Comunicaciones y Consumos S.A.**

On March 16, 2007, the Company and Comunicaciones y Consumos S.A. (CYCSA) entered into an agreement 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. 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 will be ten years to commence from the date on which CYCSA is granted the license to render telecommunications services. The agreement will be automatically renewed upon expiration date for subsequent periods of five years, unless notice to the contrary is given by any of the parties no less than 120 days prior to the expiration of the corresponding period. In accordance with the agreement, CYCSA shall periodically request access to the Company's network. Such request will be evaluated by the Company and access will be granted based on the available capacity of the network. In consideration of the use of the network, CYCSA will grant the Company 2% of the annual charges collected from customers, before taxes, as well as 10% of the profits obtained from provision of services. Furthermore, CYCSA will indemnify the Company for any obligation arising from the rendering of the services through the Company's network. The agreement was signed on condition that CYCSA was to obtain the telecommunications license within a period of 180 days from the signing thereof, period which, in accordance with the terms of the agreement, could be extended. In line with that, on November 7, 2007 and May 7, 2008 the Board of Directors authorized the extension of the period for obtaining the aforementioned license, which was finally granted by the National Telecommunications Secretariat through Resolution No. 179/2008.

Furthermore, the first addendum to the Agreement for the Granting of Permission for the Use of Electricity Distribution Network was signed on October 27, 2008. Pursuant to this addendum, the Company granted CYCSA the right to use the poles and towers of High, Medium and Low-voltage overhead lines and the ducts and/or triple ducts accompanying High, Medium and Low-voltage ducts for the laying of optical fiber owned by CYCSA, on condition that the referred to optical fiber does not affect the normal supply of the public service. Moreover, said addendum grants Edenor the right to use part of the capacity of the optical fiber to be installed. It must be pointed out that the aforementioned addendum was approved by the Company's Board of Directors' meeting held on November 5, 2008.

Additionally, the second addendum to the agreement, which modifies section XI of the main agreement (Term of the Agreement), was entered into in November 2008. Pursuant to the Addendum, the 10-year term of the agreement was extended to 20 years to commence from the date on which it went into effect. The aforementioned addendum was approved by the Company's Board of Directors on December 18, 2008.

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

On March 16, 2007, the Company entered into an agreement with Préstamos y Servicios S.A. (PYSSA), a company engaged in the rendering of financial services, pursuant to which the Company granted PYSSA the exclusive right to conduct its direct and marketing services through the use of the Company's facilities and mailing services. As part of the agreement, the Company agreed to provide physical space in some of its offices so that PYSSA be able to offer financial and loan services to Company customers. Furthermore, the Company agreed to include PYSSA marketing material in the mail sent to customers, including the invoices. The term of the agreement is 5 years, which will be automatically renewed for subsequent periods of five years, unless any of the parties gives notice to the other of his intention to terminate the agreement no less than 120 days prior to the expiration of the corresponding period. In accordance with the terms of the agreement, PYSSA will pay the Company 2% of the monthly charges collected from customers, before taxes, as well as 10% of the profits obtained from its services. Furthermore, PYSSA agreed to indemnify the Company for any obligation arising from the rendering of its services. The agreement established that its term was subject to the authorization of the ENRE, which approved this through Resolution No. 381/2007.

On February 28, 2008, PYSSA informed the Company that the physical space to be provided by EDENOR in its commercial offices would be used by personnel of the firm Credilogros Compañía Financiera S.A., who would offer services of financial assistance and the granting of personal loans and credit cards, which, as of the date of issuance of these financial statements, is actually taking place.

## **16. CAPITAL STOCK**

### **a) General**

As of December 31, 2008 and 2007, the Company's capital stock 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. The capital increase of 74,844,900 shares resolved by the Board of Directors in the meeting held on June 14, 2007, as per the powers granted by the Shareholders' Meeting held on June 7, 2006, was registered with the pertinent regulatory authorities on September 18, 2007.

As of December 31, 2008, the Company owns 9,412,500 Class B treasury shares.

### **b) Restriction on the transfer of the Company's common shares**

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

Furthermore, Caja de Valores S.A. (the Public Register Office), which keeps the Share Register of the shares, is entitled (as stated in the Company's 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 are pledged during the entire term of the concession as security for the performance of the obligations assumed under the Concession Agreement.

Additionally, in connection with the issuance of Class 2 Corporate Notes, EASA is required to be the beneficial owner and owner of record of not less than 51% of EDENOR's issued, voting and outstanding shares.

Section ten of the Adjustment Agreement signed with the Grantor of the Concession and ratified through Decree No. 1957/06, 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.

### **c) Employee Stock Ownership Program (ESOP)**

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 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. As of the date of payment of the deferred purchase price, the Guarantee and Repurchase Fund had not fully paid the amounts due to former ESOP participating employees for the transfer of their Class C shares.

A number of former employees of both SEGBA and the Company have brought legal actions against the Guarantee and Repurchase Fund, the Argentine Government and, in few cases, against the Company, in cases in relation to the administration of the Employee Stock Ownership Program. The plaintiffs who are former employees of SEGBA were not deemed eligible by the corresponding authorities to participate in the Employee Stock Ownership Program at the time of its creation. This decision is being disputed by the plaintiffs who are therefore seeking compensation. The plaintiffs who are former employees of the Company are claiming payment for the unpaid amounts owed to them by the Guarantee and Repurchase Fund either due to non-payment of the transfer of their shares upon retirement in favor of the Guarantee and Repurchase Fund or incorrect calculation of amounts paid to them by the Guarantee and Repurchase Fund. In several of these claims, the plaintiffs have obtained attachment orders or preliminary 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 accrual has been recorded in the financial statements in connection with the legal actions brought against the Company as the Company's management believes that EDENOR 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. As of December 31, 2008, 1,952,604 Class C shares, representing 0.22% of the Company's capital stock are outstanding (Notes 1 and 16.a).

#### **d) Absorption of accumulated deficit**

The Ordinary and Extraordinary Shareholders' Meeting held on April 15, 2008 resolved to absorb the accumulated deficit existing as of December 31, 2007 for 88,611 pesos.

Taking into account the order of preference established by the regulations of the National Securities Commission, the Company absorbed the accumulated deficit with the Additional paid-in capital, which as of December 31, 2007 amounted to 106,928 and was sufficient to carry out the aforementioned absorption.

## **17. REGULATORY FRAMEWORK**

### **a) General**

The Company's business is regulated by Law No. 24,065, which created the ENRE. In this connection, the Company is subject to the regulatory framework provided under the aforementioned Law and the regulations issued by the ENRE.

The ENRE is empowered to: a) approve and control tariffs, and b) control the quality of both the service and the technical product, as established in the Concession Agreement. Failure to comply with the provisions of such Agreement and the rules and regulations governing the Company's business will make the Company liable to penalties that may include the forfeiture of the concession.

As from September 1, 1996, there has been a change in the methods applied to control the quality of both the product and the service provided by the Company. Within this new framework, compensation between areas and circuits of different quality is not allowed, instead, the specific quality provided to individual customers, rather than an average customer value must be measured. As a result, fines will be credited to users affected by service deficiencies in future bills. Penalties are imposed in connection with the following major issues:

1. Deviation from quality levels of technical product, as measured by voltage levels and network variations;
2. Deviation from quality levels of technical service, as measured by the average interruption frequency per Kilovatio (KVA) and total interruption time per KVA;
3. Deviation from quality levels of commercial service, as measured by the number of claims and complaints made by customers, service connection times, the number of estimated bills and billing mistakes;
4. Failure to comply with information gathering and processing requirements so as to evaluate the quality of both the technical product and the technical service;
5. Failure to comply with public safety regulations.

As of December 31, 2008 and 2007, the Company has accrued penalties for resolutions not yet issued by the ENRE corresponding to the six-month control periods elapsed over those dates. As of December 31, 2008 and 2007, the Company has applied the adjustment contemplated in the Temporary Tariff Regime (TTR) (caption b item vii) and the adjustments established by the electricity rate schedules applied during the 2008 fiscal year, Resolutions Nos. 324/2008 and 628/2008 (Note 17.b).

As of December 31, 2008 and 2007, liabilities for penalties amounting to 331,613 and 281,395, respectively, have been included in other non-current liabilities (Note 10).

In addition, as of December 31, 2008, 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.

Furthermore, the Company has been notified of certain preliminary attachments levied on funds deposited in its bank accounts as a consequence of the executory proceedings brought by the ENRE against the Company for imposed and unpaid penalties in the amount of 59 as of December 31, 2008 and 2007 (Note 5). Additionally, after December 31, 2008 and until the date of issuance of these financial statements, the Company has not been notified of any other attachments.

Moreover, on July 12, 2006 the National Energy Secretariat issued Resolution No. 942/2006 which modifies the allocation of any excess funds resulting from the difference between surcharges billed and discounts made to customers, deriving from the implementation of the Program for the Rational Use of Electric Power (PUREE), which provides for the application of both tariff incentives and penalties aimed at encouraging customers to reduce consumption. As from July 1, 2006, such excess funds may be applied against the amounts receivable that the Company maintains in the Trade receivables account as Unbilled –National Fund of Electricity, for “Quarterly Adjustment Coefficient of the National Fund of Electricity” (section 1 of Law No. 25,957) for 2,812 and 3,036 as of December 31, 2008 and 2007, respectively (Note 4). On August 10, 2006 the ENRE issued Resolution No. 597/2006 which regulates the aforementioned Resolution No. 942/2006 of the National Energy Secretariat and establishes the compensation mechanism to be used.

On October 4, 2007 the *Official Gazette* published Resolution No. 1037/2007 of the National Energy Secretariat. Said resolution establishes that the amounts paid by the Company for the Quarterly Adjustment Coefficient (CAT) implemented by Section 1 of Law No. 25,957, as well as the amounts corresponding to the Cost Monitoring Mechanism (MMC) for the period May 2006 through April 2007 (Note 17.b items b and c) be deducted from the funds resulting from the difference between surcharges billed and discounts made to customers, resulting from the implementation of the Program for the Rational Use of Electric Power (PUREE), until their transfer to the tariff is granted by the regulatory authority. The resolution also establishes that the MMC adjustment for the period May 2006 through April 2007, applicable as from May 1, 2007, amounts to 9.63 %.

Additionally, on October 25, 2007 the ENRE issued Resolution No. 710/2007 which approves the MMC compensation mechanism established in the aforementioned Resolution No. 1037/2007 of the National Energy Secretariat.

The amounts corresponding to the Cost Monitoring Mechanism (MMC) for the period May 2006 through April 2007 as well as those corresponding to the period May 2007 through October 2007 were transferred to the tariff as from July 1, 2008, in accordance with the provisions of Resolution No. 324/2008 (Note 17.b)

By Note No. 1383 dated November 26, 2008 of the National Energy Secretariat, the ENRE was instructed to consider the earmarking of the funds deriving from the application of the Cost Monitoring Mechanism (MMC) corresponding to the period May 2007 through October 2007 whose recognition was pending, and to allow that such funds be deducted from the excess funds deriving from the application of the Program for the Rational Use of Electric Power (PUREE), in accordance with the provisions of Resolution No. 1037/2007 of the National Energy Secretariat. The MMC adjustment for the period May 2007 through October 2007, applicable as from November 1, 2007, amounts to 7.56 %.

As of December 31, 2008, the amounts recorded by the Company for the Cost Monitoring Mechanism until their transfer to the tariff, which took place on July 1, 2008, totaled 84,585 (Note 11).

#### **b) Concession**

The term of the concession is 95 years and may be extended for an additional maximum period of 10 years. The term of the concession is divided into management periods: a first period of 15 years and subsequent periods of 10 years. At the end of each management period, the Class "A" shares representing 51% of EDENOR's capital stock, currently held by EASA, must be offered for sale through a public bidding. If EASA makes the highest bid, it will continue to own 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 must pay EASA the amount of the bid in accordance with the conditions of the public bidding. The proceeds from the sale of Class "A" shares will be delivered to EASA after deducting any amounts receivable to which the Grantor of the concession may be entitled.

In accordance with the provisions of the Concession Agreement, the Company shall take the necessary measures to guarantee the supply and availability of electricity so as to meet demand in due time and in accordance with stipulated quality levels, for which purpose the Company shall be required to guarantee sources of supply.

For such purpose, 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 Electric Power Wholesale Market (MEM), thus being obliged to supply all the electric power that may be required. In addition, the Company shall 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 denominated in US dollars or any other foreign currencies, indexation clauses based on price indexes from other countries, 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 requirements into account.

In accordance with the provisions of Laws Nos. 25,972, 26,077, 26,204, 26,339 and 26,456 both the declaration of economic emergency and the period to renegotiate public utility contracts were extended through December 31, 2005, 2006 2007, 2008 and 2009, respectively.

As a part of the renegotiation process, the Unit of Renegotiation and Analysis of Public Utility Contracts (UNIREN) proposed the signing of an Adjustment Agreement that would be the basis of a comprehensive renegotiation agreement of the Concession Agreement. The Company satisfied the regulatory agency's requirements; provided an answer to the proposal and attended the public hearing convened for such purpose, rejecting in principle the proposal on the grounds that it did not properly address the need to redefine the terms of the agreement as contemplated by the law. Nevertheless, the Company ratified its willingness to reach an understanding that would restore the financial and economic equation of the concession agreement. On September 21, 2005, the Company signed the Adjustment Agreement within the framework of the process of renegotiation of the Concession Agreement set forth in Law No. 25,561 and supplementary regulations. Due to the appointment of a new Economy and Production Minister, on February 13, 2006 a new copy of the Adjustment Agreement was signed under the same terms as those stipulated in the agreement signed on September 21, 2005.

The Adjustment Agreement establishes the following:

- i) the implementation of a Temporary Tariff Regime (RTT) effective as from November 1, 2005, including a 23% average increase in the distribution margin, which may not result in an increase in the average tariff of more than 15%, and an additional 5% average increase in the value added distribution (VAD), allocated to certain specified capital expenditures;
- ii) the requirement that during the term of said temporary tariff regime, dividend payment be subject to the approval of the regulatory authority;
- iii) the establishment of a "social tariff" for the needy and the levels of quality of the service to be rendered;
- iv) the suspension of the claims and legal actions filed by the Company and its shareholders in national or foreign courts due to the effects caused by the Economic Emergency Law;
- v) the carrying out of a Revision of the Company Tariff Structure (RTI) which will result in a new tariff regime that will go into effect on a gradual basis and remain in effect for the following 5 years. In accordance with the provisions of Law No. 24,065, the National Regulatory Authority for the Distribution of Electricity will be in charge of such review;
- vi) the implementation of a minimum investment plan in the electric network for an amount of 178.8 million to be fulfilled by EDENOR during 2006, plus an additional investment of 25.5 million should it be required (item f below);
- vii) the adjustment of the penalties imposed by the ENRE that are payable to customers as discounts, which were notified by such regulatory agency prior to January 6, 2002 as well as of those that have been notified, or whose cause or origin has arisen in the period between January 6, 2002 and the date on which the Adjustment Agreement goes into effect;
- viii) the waiver of the penalties imposed by the ENRE that are payable to the Argentine State, which have been notified, or their cause or origin has arisen in the period between January 6, 2002 and the date on which the Adjustment Agreement goes into effect;
- ix) the payment term of the penalties imposed by the ENRE, which are described in paragraph vii above, is 180 days after the approval of the Revision of the Company Tariff Structure (RTI) in fourteen semiannual installments, which represent approximately two-thirds of the penalties imposed by the ENRE before January 6, 2002 as well as of those that have been notified, or whose cause or origin has arisen in the period between January 6, 2002 and the date on which the Adjustment Agreement goes into effect, subject to compliance with certain requirements.

Said agreement was ratified by the Federal Executive Power through Decree No. 1957/06, signed by the President of Argentina on December 28, 2006 and published in the *Official Gazette* on January 8, 2007. This agreement stipulates the terms and conditions that, upon compliance with the other procedures required by the regulations, will be the fundamental basis of the Comprehensive Renegotiation of the Concession Agreement of 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. 51/2007 of the ENRE which approves the electricity rate schedule resulting from the RTI applicable to consumption recorded as from February 1, 2007. This document provides for the following:

- a) A 23% average increase in distribution costs, service connection costs and service reconnection costs in effect which the Company collects as the holder of the concession of the public service of electric power distribution, except for the residential tariffs;
- b) Implementation of an additional 5% average increase in distribution costs, to be applied to the execution of the works and infrastructure plan detailed in Appendix II of the Adjustment Agreement. In this regard, the Company has set up the required fund, which as of December 31, 2008 amounts to 27,638. This amount is net of the amounts transferred to CAMMESA for 45,017;
- c) Implementation of the Cost Monitoring Mechanism (MMC) contemplated in Appendix I of the Adjustment Agreement, which for the six-month period beginning November 1, 2005 and ending 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;
- d) 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 (items i) and ii) above) and from May 1, 2006 through January 31, 2007 (item iii) above);
- e) Invoicing of the differences corresponding to deviations between foreseen physical transactions and those effectively carried out and of other concepts related to the Wholesale Electric Power Market (MEM), such as the Specific fee payable for the Expansion of the Network, Transportation and Others, included in Trade Receivables under Receivables from sales of electricity as Unbilled (Note 4);
- f) 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.

The Company has recorded the adjustment of the penalties described in the Adjustment Agreement for amounts of 17,162, 18,084 and 46,972 as of December 31, 2008, December 31, 2007 and December 31, 2006, respectively, which are equivalent to the tariff increases mentioned in the items above.

Revenues from the retroactive tariff increase deriving from the implementation of the new electricity rate schedule applicable to non-residential consumption for the period of November 2005 through January 31, 2007 have been fully recognized in the financial statements for the year ended December 31, 2007. Such amount, which totals 218,591, is being invoiced in 55 equal and consecutive monthly installments, as described in item b) of paragraph d) of this note. As of December 31, 2008, the installments corresponding to the months of February 2007 through December 2008 for a total of 99,742 have already been billed (Note 4).

On April 30, 2007, the *Official Gazette* published Resolution No. 434/2007 of the National Energy Secretariat which adjusts the time periods set forth in the Adjustment Agreement signed by the Company and the Grantor of the Concession and ratified by Decree No. 1957 of the Federal Government dated December 28, 2006.

In this regard, the aforementioned Resolution provides that the contractual transition period established in the Adjustment Agreement will be in effect from January 6, 2002 to the date on which the Revision of the Company Tariff Structure (RTI) established in the aforementioned Adjustment Agreement goes into effect.

Furthermore, the Resolution establishes that the new electricity rate schedule resulting from the RTI will go into effect on February 1, 2008. It also stipulates that, in the event that the tariff resulting from the RTI is higher than the tariff established in section 4 of the Adjustment Agreement, the transfer of the increase to the tariff will be made in accordance with the provisions of section 13.2 of the Adjustment Agreement, which establish that the first adjustment will take effect as from February 1, 2008 and the second will take effect six months later, maintaining the percentages agreed upon in the Adjustment Agreement.

The aforementioned Resolution No. 434/2007 establishes that the Company must present an investment plan before May 1, 2007 (which has already been complied with), and that the obligations and

commitments set forth in section 22 of the Adjustment Agreement be extended until the date on which the electricity rate schedule resulting from the RTI goes into effect, allowing the Company and its shareholders to resume the claims suspended as a consequence of the Adjustment Agreement if the new electricity rate schedule does not go into effect in the aforementioned time period.

Furthermore, 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 Revision of the Company Tariff Structure (RTI) goes into effect. Its original maturity would have taken place on August 31, 2007.

On July 30, 2008, the National Energy Secretariat issued Resolution No. 865/2008 which modifies Resolution No. 434/2007 and establishes that the electricity rate schedule resulting from the Revision of the Company Tariff Structure (RTI) will go into effect in February 2009.

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

On September 19, 2007, the Energy Secretariat by Note No. 1006/07 requested that the Company comply with the provisions of Resolutions Nos. 1875 and 223/07 of the aforementioned Secretariat, dated December 5, 2005 and January 26, 2007, respectively.

In accordance with the aforementioned resolutions, the Company must transfer to CAMMESA, 61.96% of the total amount of the special fund set up in compliance with Clause 4.7 of the Adjustment Agreement, plus any interest accrued on the financial investments made by the Company with such funds. Such funds will be used for the execution of the works aimed at connecting Central Costanera and Central Puerto electricity generation plants with Malaver substation. As of December 31, 2008, the Company recorded 45,017 in Property, plant and equipment (Exhibit A) in the Construction in process account, and 2,066 in Other liabilities in the Capital Expenditures fund – CAMMESA account (Note 10).

On July 31, 2008, the National Regulatory Authority for the Distribution of Electricity issued Resolution No. 324/2008 which approves the values of the Company's electricity rate schedule that contemplates the partial application of the adjustments corresponding to the Cost Monitoring Mechanism (MMC) and their transfer to the tariff. The aforementioned electricity rate schedule increases the Company's value added distribution by 17.9% and has been applied to consumption recorded as from July 1, 2008. Therefore, the increase in tariffs for final users has ranged from 0% to 30%, on average, depending on consumption.

Furthermore, on October 31, 2008, the National Energy Secretariat issued Resolution No. 1169/2008 which approved the new seasonal reference prices of power and energy in the Electric Power Wholesale Market (MEM).

Consequently, the ENRE issued Resolution No. 628/2008 which approves the values of the electricity rate schedule to be applied as from October 1, 2008.

In addition to the new seasonal reference prices of power and energy, the above-mentioned electricity rate schedule contemplates the transfer of ex-post adjustments that were pending as well as of other concepts associated to the MEM.

### **c) 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 gratuitous bailment 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). The contractual terms and debt situation of six properties are being negotiated with this Agency.

As of the date of issuance of these financial statements, the Company has acquired for an amount of 12,765, nine of these properties whose gratuitous bailment contracts had expired. The title deeds of eight of these properties have been executed at a price of 12,375. As for the remaining property, a down payment of 117 has been made while the outstanding amount of 273 will be payable upon the execution of the title deed on a date to be set by the Ministry of Economy.

**d) National Program for the Rational and Efficient Use of Electric Power (PRONUREE)**

Within the framework of the National Program for the Rational and Efficient Use of Electric Power (PRONUREE), on January 24, 2008, the Energy Secretariat issued Resolution No. 8/2008, whereby electricity distribution companies were invited to participate in the distribution, delivery, substitution and/or replacement of incandescent light bulbs by new compact fluorescent lamps.

The Company adhered to this program and distributed, delivered, substituted and/or replaced the aforementioned light bulbs.

The above-mentioned resolution establishes that purchase and distribution freight costs of compact fluorescent lamps incurred by the Company must be billed to CAMMESA.

For the year ended December 31, 2008, the amount billed by the Company to CAMMESA for this concept totaled 23,345, which have been fully paid as of that date.

**18. CASH FLOW INFORMATION**

**a) Cash and cash equivalents:**

For the preparation of the Statement of Cash Flows, the Company considers as cash equivalents all highly liquid investments with original maturities of three months or less.

	<b>As of December 31, 2008</b>	<b>As of December 31, 2007</b>	<b>As of December 31, 2006</b>
Cash and Banks	6,061	3,459	481
Time deposits	0	12,087	1,360
Money market funds	88,548	0	30,832
Corporate notes	393	0	0
Notes receivable	0	85,652	0
Government bonds	30,717	0	0
Municipal bonds	680	0	0
Total cash and cash equivalents in the Statement of Cash Flows	<u>126,399</u>	<u>101,198</u>	<u>32,673</u>

**b) Interest paid and collected:**

	<b>For the years ended December 31,</b>	
	<b>2008</b>	<b>2007</b>
Interest paid during the year	(94,162)	(38,149)
Interest collected during the year	6,872	3,175

## 19. INSURANCE COVERAGE

As of December 31, 2008, the Company carries the following insurance policies for purposes of safeguarding its assets and commercial operations:

<u>Risk covered</u>		<u>Amount insured</u>
Comprehensive (1)	US\$	526,300,632
Mandatory life insurance	\$	17,496,000
Theft of securities	US\$	100,000
Vehicles (theft, third party liability and damages)	\$	8,071,800
Land freight	US\$	2,000,000
Imports freight	\$	2,250,000

(1) Includes: fire, partial theft, tornado, hurricane, earthquake, earth tremors, flooding and debris removal from facilities on facilities providing actual service, except for high, medium and low voltage networks.

## 20. CLAIM OF THE PROVINCE OF BUENOS AIRES BOARD OF ELECTRIC POWER

On December 1, 2003, the Board of Electric Power of the Province of Buenos Aires (Board) filed a claim against EDENOR in the amount of 284,364 that includes surcharges and interest as of the date of the claim, and imposed penalties for an amount of 25,963, due to the Company's alleged failure to act as collecting agent of certain taxes established by Decrees-law Nos. 7290/67 and 9038/78 from July 1997 through June 2001.

On December 23, 2003, the Company appealed the Board's decision with the Tax Court of the Province of Buenos Aires, which had the effect of temporarily suspending the Company's obligation to pay. Such appeals were filed on the grounds that the Federal Supreme Court had declared that the regulations established by the aforementioned Decrees-law were unconstitutional, as they were incompatible with the Province of Buenos Aires' commitment not to levy any taxes on the transfer of electricity.

On March 20, 2007, the Board of Electric Power of the Province of Buenos Aires amended the original complaint to include an additional claim in the amount of 7,720 that includes surcharges and interest as of the date of the claim for the period of July 2001 through June 2002 –extending the claim to certain Company Directors.

On June 27, 2007, the Tax Court of the Province of Buenos Aires pronounced in favor of the appeal duly lodged by the Company, thus becoming final.

At the same time, on June 23, 2005, a petition for a declaratory judgment proceeding was filed with the Secretariat of Original Lawsuits of the Federal Supreme Court, so that the maximum authority clarify the condition of uncertainty generated by the provincial tax authorities' insistence on honoring the commitment assumed by the Province in the Federal Pact, and their avoidance of the Federal Supreme Court's decisions. The aforementioned proceeding is still pending on the Federal Supreme Court.

Therefore, no accrual has been recorded for these claims as the Company's management, based on both the aforementioned pronouncement and the opinion of its legal advisors, believes that there exist solid arguments to support its position.

## 21. LEGAL ACTION FOR ALLEGED ENVIRONMENTAL POLLUTION

On May 24, 2005, three of EDENOR's employees were indicted on charges of polychlorinated biphenyl (PCB)-related environmental contamination. In connection with this alleged violation, the judge ordered a preliminary attachment on the Company's assets in the amount of 150 million pesos to cover the potential cost of damage repair, environmental restoration and court costs. On May 30, 2005, the Company filed appeals against both the charges brought against its employees and the attachment order. On December 15, 2005, the Federal Court of Appeals of San Martín dismissed the charges against all three defendants and, accordingly, revoked the attachment order against the Company's assets. The decision of the Court

of Appeals was based on the fact that the existence of environmental pollution could not be proved, and, in consequence whereof, established that the Trial Judge should order the acquittal of two ENRE public officers who had been indicted on related charges. An appeal against this decision was filed in the Tribunal de Casación (the highest appellate body for this matter), which on April 5, 2006 ruled that the appeal was not admissible.

On July 16, 2007, the Company was notified that on July 11, 2007 the Trial Judge ruled the definitive acquittal of all Company officials and employees that had been indicted in the case, thus ordering the closing of the case. This decision could be appealed.

After the filing of an appeal, on March 25, 2008, the Federal Court of Appeals of San Martín confirmed the decision rendered by the court of original jurisdiction that had ordered the acquittal of Messrs. Daniel José Lello, Luciano Pironio, Julio Adalberto Márquez, Francisco Ponasso, Henri Lafontaine, Henri Marcel Roger Ducre and Christian Rolland Nadal, as well as the acquittal of ENRE officers, Mr. Juan Antonio Legisa and Mrs. María Cristina Massei.

In its decision, the appellate court, quoting the “Chazarreta” judgment as judicial precedent, stated that the right to defense at trial pursuant to due process, guaranteed by the Constitution, included the right to obtain a judgment that would put an end to the situation of uncertainty that implied criminal prosecution. Furthermore, the appellate court’s decision also stated that if the Prosecutor, after a thorough investigation, was unable to transfer the presumption of guilt to the degree of certainty required for a declaration of criminal liability, the status of innocence should prevail.

Based on the foregoing, and considering that the preliminary investigation phase had ended, the Federal Court of Appeals ordered the confirmation of the aforementioned resolution.

It is worth mentioning that the dismissal ordered by the judge of original jurisdiction was appealed by the Prosecutor, who cited the possible dismissal of criminal action for being beyond the statute of limitations, as a grievance, among other possibilities, caused by the decision of the court.

However, after the filing of the corresponding legal briefs by the Company, the appellate court confirmed the decision of the court of original jurisdiction based on the aforementioned resolution of the Appellate Court, according to which the existence of PCB-related environmental pollution had not been proven.

The decision, whose reversal was requested by the Prosecutor’s Office through an extraordinary appeal within the period of 10 days as from notice thereof had been served, was confirmed by the Federal Court of Appeals of San Martín, which rejected the Prosecuting attorney’s appeal.

The Prosecutor’s Office filed an appeal (“*Recurso de Queja*”) to the *Tribunal de Casación* requesting that the appeal dismissed by the Federal Court of Appeals of San Martín be sustained. The *Tribunal de Casación* rejected the appeal as well. The resolution in question was notified to the Prosecutor’s Office on December 29, 2008. Within the contemplated legal time period, the Prosecutor’s Office filed with such *Tribunal* an “EXTRAORDINARY APPEAL”. Notice thereof shall be given to the defense for 10 days, after which, the *Tribunal* shall decide whether the appeal is accepted or rejected. Should the appeal be accepted, the legal proceedings will pass on the Federal Supreme Court.

## **22. FINANCIAL TRUST AGREEMENT**

On September 30, 2008, the Company and Macro Bank Limited entered into an irrevocable and discretionary trust agreement.

Through the establishment of the trust, which was approved by the Board of Directors on September 29, 2008 and duly informed to control authorities, the Company assigns the management of certain liquid assets for an initial amount of up to US\$ 24,000,000, which are to be used in the future in accordance with the terms of the trust.

The term of duration of the aforementioned agreement is 20 years.

The assignment of the aforementioned liquid assets for an amount of US\$ 23,922,000 was carried out on October 2, 2008.

Additionally, the funds of the trust were used to repurchase Par Notes due in 2016 for a nominal value of US\$ 21,695,000. Such amount is part of the total number of Notes repurchased by the Company as of December 31, 2008 (Note 14.a).

Furthermore, on November 3 and 11, 2008, the Company carried out an additional assignment of liquid assets for US\$ 2,000 thousand and US\$ 1,000 thousand respectively.

On December 31, 2008, Macro Bank Limited informed that its investment portfolio includes par corporate notes of the Company due in 2017 for a nominal value of US\$ 24,515,000.

### **23. RESTRICTIONS ON THE DISTRIBUTION OF EARNINGS**

In accordance with the provisions of Law No. 19,550, 5% of the net income for the year must be appropriated to the legal reserve, until such reserve equals 20% of capital stock. The Ordinary and Extraordinary Shareholders' Meeting held on April 14, 2008, did not appropriate any amount to said legal reserve as of December 31, 2007, due to the existence of accumulated losses as of the end of that year (Note 16.d).

Moreover, 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 as of 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 and who will be subject to a lower tax rate. For income tax purposes, accumulated taxable income shall be the unappropriated retained earnings as of the end of the year immediately preceding the date on which the above-mentioned law went into effect, less dividends paid plus the taxable income determined as from such year and dividends or income from related companies in Argentina.

Since the restructuring of the Company's financial debt referred to in Note 14, the Company is not allowed to distribute dividends until April 24, 2008 or until such time when the Company's leverage ratio is lower than 2.5, whichever occurs first. As from this time, distribution of dividends will only be allowed under certain circumstances depending on the Company's indebtedness ratio.

Certain restrictions on the distribution of dividends by the Company and the need for approval by the ENRE for any distribution have been disclosed in Note 17.b).

**24. BREAKDOWN OF TEMPORARY INVESTMENTS, RECEIVABLES AND LIABILITIES BY COLLECTION AND PAYMENT TERMS**

As required by the CNV's regulations, the balances of the accounts below as of December 31, 2008, are as follow:

<u>Term</u>	<u>Investments</u>	<u>Receivables</u> (1)	<u>Financial Debt</u> <u>(Loans)</u>	<u>Other payables</u> (2)
<u>With no explicit due date</u>	0	0	0	331,613
<u>With due date</u>				
Past due:				
Up to three months	0	136,112	0	0
From three to six months	0	25,475	0	0
From six to nine months	0	6,246	0	0
From nine to twelve months	0	5,741	0	0
Over one year	<u>0</u>	<u>9,068</u>	<u>0</u>	<u>0</u>
Total past due	<u>0</u>	<u>182,642</u>	<u>0</u>	<u>0</u>
To become due:				
Up to three months	120,338	306,994	27,245	511,942
From three to six months	0	13,299	0	40,479
From six to nine months	681	12,622	0	18,328
From nine to twelve months	0	10,936	0	18,328
Over one year	<u>67,212</u>	<u>165,311</u>	<u>913,148</u>	<u>84,147</u>
Total to become due	<u>188,231</u>	<u>509,162</u>	<u>940,393</u>	<u>673,224</u>
Total with due date	<u>188,231</u>	<u>691,804</u>	<u>940,393</u>	<u>673,224</u>
Total	<u>188,231</u>	<u>691,804</u>	<u>940,393</u>	<u>1,004,837</u>

(1) Excludes allowances

(2) Comprises total liabilities except accrued litigation and debt notes.

The financial debt mentioned in Note 14.a. accrues interest at floating and fixed rates, which amount to approximately 10.19% on average; only 4.05% of the debt accrues interest at a floating rate whereas the remaining accrues interest at a fixed rate.

## **25. SUBSEQUENT EVENTS**

### **a) Repurchase of Corporate Notes**

From January 1, 2009 to the date of issuance of these financial statements, the Company partially repurchased at market prices and in successive operations “par notes” due in 2016 and 2017 for a nominal value of US\$ 36,179 thousand (Note 14.a).

### **b) New electric rate schedule**

After the year-end closing, the Ombudsman of the Nation made a presentation against the resolutions by which a new tariff schedule has come into effect as of October 1° of the year 2008. The aforementioned increase provided by Resolution N° 628/08 issued by ENRE includes the transfer of the increase in the seasonal energy price to tariffs, with the aim of reducing subsidies granted by the National Government to the electricity sector, without increasing the value-added of distribution of the Company.

On the other hand, on January 27<sup>th</sup> 2009, ENRE has notified the Company of a preliminary injunction, as a result of the Ombudsman’s presentation; by which the Company is ordered to refrain from cutting the energy supply, resulting from the nonpayment of bills issued with the tariff increase, until a judgment is pronounced. Said injunction has been appealed by the Company and the Argentine Federal Government and is still to be decided.

## **26. FINANCIAL STATEMENTS TRANSLATION INTO ENGLISH LANGUAGE**

These financial statements are the English translation of those originally prepared by the Company in Spanish and presented in accordance with accounting principles generally accepted in Argentina. The effects of the differences between the accounting principles generally accepted in Argentina and the accounting principles generally accepted in the countries in which the financial statements are to be used have not been quantified. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operation, shareholder’s equity or cash flows in accordance with accounting principles generally accepted in the countries of users of the financial statements, other than Argentina.



**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR S.A.)**

**BALANCE SHEETS AS OF DECEMBER 31, 2008 AND 2007**

**PROPERTY, PLANT AND EQUIPMENT**

(stated in thousands of pesos)

MAIN ACCOUNT	Original value					Depreciation		
	At beginning of year	Additions	Retirements	Transfers	At end of year	At beginning of year	Retirements	For the year
<b>FACILITIES IN SERVICE</b>								
Substations	872.565	0	(415)	15.072	887.222	310.167	(133)	26.169
High voltage networks	381.906	0	0	16.398	398.304	133.599	0	11.076
Medium voltage networks	773.928	0	(771)	56.313	829.470	299.515	(491)	24.647
Low voltage networks	1.658.143	0	(2.534)	59.722	1.715.331	936.726	(1.484)	51.236
Transformation chambers and platforms	491.159	0	(297)	54.480	545.342	191.191	(162)	16.303
Meters	583.370	0	0	48.300	631.670	235.166	0	24.878
Buildings	77.579	0	(163)	15.098	92.514	21.053	0	1.003
Communications network and facilities	84.223	0	0	0	84.223	52.600	0	4.224
Total facilities in service	4,922.873	0	(4.180)	265.383	5.184.076	2.180.017	(2.270)	159.536
<b>FURNITURE, TOOLS AND EQUIPMENT</b>								
Furniture, equipment and software projects	168.208	18.570	0	0	186.778	158.029	0	9.274
Tools and other	45.179	1.320	0	0	46.499	42.448	0	722
Transportation equipment	15.366	3.827	(416)	0	18.777	13.782	(416)	731
Total furniture, tools and equipment	228.753	23.717	(416)	0	252.054	214.259	(416)	10.727
Total assets subject to depreciation	5.151.626	23.717	(4.596)	265.383	5.436.130	2.394.276	(2.686)	170.263
<b>CONSTRUCTION IN PROCESS</b>								
Transmission	152.578	121.293	0	(31.470)	242.401	0	0	0
Distribution and other	182.781	190.712	0	(233.913)	139.580	0	0	0
Total construction in process	335.359	312.005	0	(265.383)	381.981	0	0	0
Total 2008	5.486.985	335.722	(4.596)	0	5.818.111	2.394.276	(2.686)	170.263
Total 2007	5.146.176	342.749	(1.940)	0	5.486.985	2.220.754	(835)	174.357

The Additions column in the Distribution and other line includes 10,103 related to the software lease agreement (Note 3.g).

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR S.A.)**

**BALANCE SHEETS AS OF DECEMBER 31, 2008 AND 2007**

**INVESTMENTS IN OTHER COMPANIES**

(stated in thousands of pesos)

Name and features of securities	Class	Face value	Number	Adjusted cost	Value on equity method	Net book value 2008	Main activity	Information on the Iss		
								Last financial statements		
								Date	Nominal Capital	Incom for the y
<b>NON-CURRENT INVESTMENTS</b>										
Section 33 Law No. 19,550 -Companies-										
Related Company: SACME S.A.	common non-endorsable	\$ 1	6.000	15	397	397	Electric power services	12/31/2008	12	
Total						397				

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR S.A.)**

**BALANCE SHEETS AS OF DECEMBER 31, 2008 AND 2007**

**EXHIBIT D**

**OTHER INVESTMENTS**

(stated in thousands of pesos)

MAIN ACCOUNT	Net book value	
	2008	2007
<b>CURRENT INVESTMENTS</b>		
Time deposits		
. in local currency	0	12.087
Money market funds		
. in local currency	88.548	0
Municipal bonds		
. in local currency	1.361	0
Government bonds		
. in foreign currency (Exhibit G)	30.717	0
Corporate Notes		
. in foreign currency (Exhibit G)	393	0
Notes receivable		
. in foreign currency (Exhibit G)	0	85.652
<b>Total Current Investments</b>	<b>121.019</b>	<b>97.739</b>
<b>NON-CURRENT INVESTMENTS</b>		
Municipal bonds		
. in local currency	7.483	0
Financial trust		
. in foreign currency (Exhibit G)	48.945	0
Corporate Notes		
. in foreign currency (Exhibit G)	10.784	0
<b>Total Non-Current Investments</b>	<b>67.212</b>	<b>0</b>
<b>Total Investments</b>	<b>188.231</b>	<b>97.739</b>

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR)**

**BALANCE SHEETS AS OF DECEMBER 31, 2008 AND 2007**

**ALLOWANCES AND ACCRUALS**

(stated in thousands of pesos)

MAIN ACCOUNT	2008			
	At beginning of year	Additions	Retirements	Recovery (1)
<b>Deducted from current assets</b>				
For doubtful accounts	40.006	23.559	(6.452)	(2)
For other doubtful accounts	2.900	1.673	0	
<b>Deducted from non-current assets</b>				
For impairment of value of deferred tax assets	34.482	0	(34.482)	
<b>Included in current liabilities</b>				
Accrued litigation	39.868	19.900	(7.012)	
<b>Included in non-current liabilities</b>				
Accrued litigation	42.843	2.235	0	

(1) Refers to Framework Agreement with the Federal Government (Notes 12 and 13 and Exhibit H).

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR S.A.)**

**BALANCE SHEETS AS OF DECEMBER 31, 2008 AND 2007**

**EXHIBIT G**

**FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES**

Account	2008			2007	
	Currency and amount (2)	Exchange rate (1)	Booked amount in thousands of pesos	Currency and amount (2)	Booked amount in thousands of pesos
<b>Current Assets</b>					
Cash and banks	US\$ 1.161.320	3,413	3.964	US\$ 158.237	492
	ECU 37.451	4,7349	177	ECU 30.649	140
Investments					
Government bonds	US\$ 8.999.929	3,413	30.717	US\$ 0	0
Notes receivable	US\$ 0	3,413	0	US\$ 27.549.541	85.652
Corporate Notes	US\$ 115.035	3,413	393	US\$ 0	0
Other receivables					
Prepaid Technical Assistance Services	US\$ 0	3,413	0	US\$ 4.883.086	15.182
Other debtors	US\$ 249.534	3,413	852	US\$ 247.433	769
Other	ECU 2.285	4,7349	11	ECU 0	0
<b>Total Current Assets</b>			<b>36.114</b>		<b>102.235</b>
<b>Non-Current Assets</b>					
Investments					
Corporate Notes	US\$ 3.159.764	3,413	10.784	ECU 0	0
Financial trust	US\$ 14.340.663	3,413	48.945	ECU 0	0
<b>Total Non-Current Assets</b>			<b>59.729</b>		<b>0</b>
<b>Total Assets</b>			<b>95.843</b>		<b>102.235</b>
<b>Current Liabilities</b>					
Trade accounts payable	US\$ 5.443.784	3,453	18.797	US\$ 10.109.541	31.835
	ECU 517.726	4,7907	2.480	ECU 604.106	2.798
	NOK 667.200	0,4956	331	NOK 0	0
	CHF 453.851	3,2726	1.485	CHF 0	0
Loans					
Corporate Notes	US\$ 2.609.904	3,453	9.012	US\$ 5.421.935	17.074
Financial loans	ECU 237.978	4,7907	1.140	ECU 0	0
Other liabilities					
Fees related to the initial public offering of capital stock	US\$ 0	3,453	0	US\$ 259.717	818
Fees related to the issuance of corporate notes	US\$ 0	3,453	0	US\$ 1.322.369	4.164
	ECU 0	4,7907	0	ECU 2.650	12
Other	US\$ 374.218	3,453	1.292	US\$ 397.527	1.252
	ECU 0	4,7907	0	ECU 130.117	603
<b>Total Current Liabilities</b>			<b>34.537</b>		<b>58.556</b>
<b>Non-Current Liabilities</b>					
Loans					
Corporate Notes	US\$ 262.670.141	3,453	907.000	US\$ 312.704.116	984.705
<b>Total Non-Current Liabilities</b>			<b>907.000</b>		<b>984.705</b>
<b>Total Liabilities</b>			<b>941.537</b>		<b>1.043.261</b>

(1) Selling and buying exchange rate of Banco de la Nación Argentina in effect at the end of each year.

(2) US\$ = US Dollar; ECU = Euro; NOK = Norwegian Krone; CHF Swiss Franc.

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR)**

**INFORMATION REQUIRED BY SECTION 64 CLAUSE b) OF LAW No. 19,550**

**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

(stated in thousands of pesos)

Description	2008		
	Transmission and Distribution Expenses	Selling Expenses	Administrative Expenses
Salaries and social security taxes	175.684	35.485	46.460
Postage and telephone	1.784	8.254	2.881
Bank commissions	0	7.529	0
Allowance for doubtful accounts (1)	0	15.304	0
Supplies consumption	31.934	929	1.435
Work by third parties	94.074	34.685	11.370
Rent and insurance	2.447	628	3.892
Security services	4.087	108	1.119
Fees	2.059	150	4.050
Computer services	20	4.224	16.904
Advertising	0	0	12.849
Reimbursements to personnel	4.112	897	1.068
Temporary personnel	186	1.428	497
Depreciation of property, plant and equipment	166.001	1.638	2.624
Technical assistance	15.377	0	0
Directors and Supervisory Committee members' fees	0	0	2.912
Tax on financial transactions	0	0	27.001
Taxes and charges	1	14.694	1.742
Other	104	63	1.933
<b>Total 2008</b>	<b>497.870</b>	<b>126.016</b>	<b>138.737</b>
<b>Total 2007</b>	<b>417.553</b>	<b>120.633</b>	<b>124.656</b>

(1) Net of recovery of allowance Framework Agreement with the Federal Government for 9,929 (Notes 12 and 13 and Exhibit E).

## **ANNEX A — SUMMARY OF PRINCIPAL DIFFERENCES BETWEEN ARGENTINE GAAP AND UNITED STATES GAAP**

Accounting principles and standards generally accepted in Argentina (**Argentine GAAP**) are established by the *Federación Argentina de Consejos Profesionales de Ciencias Económicas* (Argentine Federation of Professional Councils in Economic Sciences or **FACPCE**) and are approved (with or without amendments) by the respective professional organization in each province and in the City of Buenos Aires. Those accounting principles and standards, except for minor differences are also applicable to companies under the jurisdiction of the *Comisión Nacional de Valores* (Argentine National Securities Commission or **CNV**) to the extent that the CNV has decided that such accounting principles and standards should apply to the companies under its jurisdiction. In addition, the CNV and other regulatory entities such as the *Inspección General de Justicia* (General Inspection of Justice or the **IGJ**), *Superintendencia de Seguros de la Nación* (Insurance Sector Supervisory Board) and the Argentine Central Bank provide additional, more specific and, at times, separate guidelines. Such standards differ in certain material aspects from the U.S. GAAP.

The financial information included herein is prepared and presented in accordance with Argentine GAAP. Certain differences exist between Argentine\_GAAP and U.S. GAAP which might be material to the financial information herein. The matters described below summarize certain differences between Argentine\_GAAP and U.S. GAAP that may be material. The Company is responsible for preparing the Summary below. The Company has not prepared a complete reconciliation of its consolidated financial statements and related footnote disclosures between Argentine\_GAAP and U.S. GAAP and has not quantified such differences. Accordingly, no assurance is provided that the following Summary of differences between Argentine\_GAAP and U.S. GAAP is complete. In making an investment decision, investors must rely upon their own examination of the Company, the terms of the offering and the financial information. Potential investors should consult their own professional advisors for an understanding of the differences between Argentine\_GAAP and U.S. GAAP, and how those differences might affect the financial information herein.

Recently, Argentine GAAP has been modified as a result of the issuance of new accounting pronouncements by the FACPCE. Since each professional organization in Argentina has approved these new accounting standards with different amendments, different accounting treatments currently exist within Argentine GAAP between companies located in different jurisdictions. Argentine GAAP, as described in the summary of principal differences, relates to the guidance applicable to entities under the jurisdiction of the *Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires* (**CPCECABA**).

The summary does not include GAAP differences that relate to financial institutions and other industry-specific accounting and reporting matters. The U.S. accounting principles do not include any additional accounting adjustments or disclosure which might be required by the U.S. Securities and Exchange Commission (**SEC**).

### ***Restatement of Financial Statements for General Price-Level Changes***

Under Argentine GAAP and the provisions of Argentine Law No. 19,550 regarding commercial entities, financial statements, until August 31, 1995, were restated and expressed in constant currency to account for the effect of the variations in the purchasing power or currency. Monetary items were maintained at their nominal value as of the ending date of the fiscal period for which financial statements were being prepared. Non-monetary assets were adjusted by the variation of the wholesale price index (**WPI**) between the beginning date and ending date of the fiscal period. Holding gains or losses arising as a result of inflation were credited or charged to income. To facilitate inter-period comparisons, prior-period financial statements were restated to the ending date of the most recent fiscal period covered.

In August 1995, the Argentine government issued Decree No. 316/1995 which established that financial statements containing restatement for inflation would no longer be accepted. As a result, many regulatory authorities issued revised rules and suspended restatement for inflation as of August 31, 1995. The August 31, 1995 balances, adjusted to the general purchasing power of the Peso at that date, became the historical cost basis for subsequent accounting and reporting.

As a result of the economic environment in 2002, the regulatory authorities and professional organizations issued various resolutions resuming the application of inflation accounting in financial statements as from January 1, 2002. These resolutions provided that all recorded amounts restated for inflation through August 31, 1995, as well as those arising between that date and December 31, 2001 are to be considered stated in currency as of December 31, 2001.

On March 25, 2003, after considering inflation levels for the second half of 2002 and the first months of 2003, the Argentine government instructed the regulatory authorities to issue the necessary regulations to preclude companies under their supervision from presenting price-level restated financial statements. Therefore, the regulatory authorities (the CNV and the IGJ) issued resolutions providing for the discontinuance of inflation accounting as of March 1, 2003. The professional organizations suspended restatement for inflation as from October 1, 2003.

Under U.S. GAAP, in most cases, the price-level restatement of financial statements is not permitted. Account balances and transactions are generally stated in the units of currency of the period/year when the transactions originated. This accounting model is commonly known as the historical cost basis of accounting.

However, the “constant currency method” applied for Argentine GAAP purposes is substantially similar to the methodology under U.S. GAAP for companies operating in hyper-inflationary environments (in which inflation has exceeded 100% over the last three years) and which report in local currency.

Provided below is an analysis of the different alternatives in presenting financial statements (**F/S**) (under or reconciled to U.S. GAAP) and the appropriate consideration of inflation accounting:

#### ***U.S. GAAP Financial Statements***

*Argentine Peso as reporting currency.* For financial statements prepared using the Argentine Peso as the reporting currency, APB No. 3 requires restatement for companies operating in hyper-inflationary environments (that is, where the cumulative inflation rate is greater than 100% over the last three years).

*U.S. Dollar as reporting currency.* For financial statements prepared using the U.S. Dollar as the functional and reporting currency, ASC 830 “Foreign Currency Matters” requires that the financial statements in local currency should be translated into U.S. Dollars. Inflation accounting recognized under Argentina GAAP is reversed.

#### ***Financial Statements Reconciled to U.S. GAAP***

A U.S. GAAP difference exists provided that the Company does not operate in a hyper-inflationary environment.

#### ***Information by Segment***

Under U.S. GAAP, Accounting Standards Codification (ASC) 280 “Segment Reporting” establishes the standards for reporting operating segment information. This standard requires reporting operating segment information based on the way that financial information prepared by the entity is organized for senior management for making operating decisions, evaluating performance and allocating resources.

#### ***Foreign Currency Translation***

Under Argentine GAAP, there are two methods for translating foreign currency financial statements. Where a foreign operation is integral to the reporting entity, its accounts are translated as if all the transactions had been carried out by the reporting entity itself. Once translated, and only if inflation accounting is required, balances are then restated for inflation to the end of the period. Translation gains and losses are recognized within financial results in the income statement. Where a foreign operation is largely independent of the investing entity’s reporting currency, the financial statements are restated by inflation to the end of the period using the inflation index in the



foreign subsidiary's country of operations (if required) and then translated using the period-end exchange rate. Translation gains and losses are reported as a separate caption between liabilities and shareholders equity denominated "temporary translation differences." Alternatively, a largely-independent foreign operation may be translated into Pesos applying the method described for integral entities.

Under U.S. GAAP, where the operations of a foreign operation are largely independent of the investing entity's reporting currency (*i.e.* the local currency is the functional currency), the current method of translation is used. Under this method, amounts in the foreign operations balance sheet are translated using the closing rate, with the exception of equity balances, for which the historical rate is used. Amounts in the income statement are usually translated using the average rate for the accounting period. Translation differences are reported as a separate component of shareholders equity (other comprehensive income). Where a foreign operation is integral to the reporting entity (*i.e.* the functional currency is the reporting currency), ASC 830 "Foreign Currency Matters" should be followed, "Remeasurement of the books of record into the functional currency." This method involves the translation of monetary assets and liabilities at the exchange rate in effect at the end of each period, and non-monetary assets and liabilities and equity at historical exchange rates (*i.e.* the exchange rates in effect when the transactions occur). Average exchange rates are applied for the translation of the accounts that make up the results of the periods, except for those charges related to non-monetary assets and liabilities that are translated using historical exchange rates. Exchange gains and losses from translation of monetary assets and liabilities that are not denominated in the functional currency are included in the statement of income. This method is also required when the subsidiary operates in a highly inflationary environment (*i.e.* when the cumulative inflation rate is approximately 100% or more over a three-year period).

#### ***Present-Value Accounting***

Argentine GAAP requires certain other receivables and liabilities be measured at their present value at each balance sheet date. Under U.S. GAAP, present valuing or discounting of these assets and liabilities is permitted only for those receivables and payables exceeding one year.

#### ***Investments in Debt and Equity Securities***

Under Argentine GAAP, current and non-current investments in government or private sector securities listed on stock exchanges or securities markets are valued at their listed price at the closing date, net of estimated selling expenses (*i.e.* carried at net realizable value). Related unrealized gains and losses are included in earnings. Investments in government or private sector securities held to maturity are valued at cost increased exponentially on the basis of the internal rate of return at the time of incorporation to assets and the time elapsed since then.

Under U.S. GAAP, in accordance with ASC 320 "Investments – Debt and Equity Securities" for enterprises in industries not having specialized accounting practices, the accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities is as follows:

- (i) debt securities that the enterprise has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and are reported at amortized cost;
- (ii) debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings; and
- (iii) debt and equity securities not classified as either held-to-maturity or trading securities are classified as available for sale securities and reported at fair value, with unrealized gains and losses excluded from earnings and reported in a separate component of shareholders' equity (other comprehensive income).

Under Argentine GAAP, a security is impaired if its carrying amount is greater than its estimated recoverable amount. Impairment should be assessed at each balance-sheet date and impairment losses (as defined) should be recognized in current net profit or loss. The carrying amount of a security may be adjusted for subsequent

recoveries in fair value not to exceed impairment losses that were previously recognized. Such recoveries in fair value should be recognized in current net profit or loss.

Under U.S. GAAP, for individual securities classified as either available-for-sale or held-to-maturity, an enterprise shall determine whether a decline in fair value below the amortized cost basis is other than temporary. If the decline in fair value is judged to be other than temporary, the cost basis of the individual security shall be written down to fair value as a new cost basis and the amount of the write-down shall be amortized over the remaining life of the security. The new cost basis shall not be changed for subsequent recoveries in fair value.

It should be noted that ASC 320 does not apply to investments in equity securities accounted for under the equity method nor to investments in consolidated subsidiaries.

### ***Inventories***

Under Argentine GAAP, inventories are classified into four groups for valuation purposes:

(a) Fungible inventories, with transparent market values and which can be traded without significant sales effort: valued at net realizable value (*i.e.* the respective quotations at the period-end date, net of estimated selling expenses).

(b) Inventories for which the company has received advances that fix the selling price and when the contract conditions assure the realization of both the sale and gain: valued at net realizable value.

(c) Inventories produced or constructed in a production or long-term construction process: valued at their net realizable value on a percentage of completion basis if certain conditions are met. Otherwise, inventories are valued at their replacement value.

(d) Inventories in general (*i.e.* inventories not classified in the above-mentioned categories): valued at replacement cost. If replacement cost cannot be determined or valued, the original cost (restated for inflation if required) is used.

Under U.S. GAAP, inventories are valued at the lower of cost or market value. Market value is defined as being current replacement cost subject to an upper limit of net realizable value (*i.e.* estimated selling price less reasonable predictable costs of completion and disposal) and a lower limit of net realizable value less a normal profit margin. Inventories produced or constructed in a production or long term construction process are valued at historical cost or net realizable value on a percentage of completion basis. Reversal of a write-down is prohibited, as a write-down creates a new cost basis. Therefore, an inventory write-down must be charged against cost of sales.

### ***Property, Plant and Equipment Held for Use or Rent***

Under both Argentine and U.S. GAAP, property, plant and equipment are carried at their original cost less accumulated depreciation. Under Argentine GAAP, the original cost and accumulated depreciation are restated for inflation at the end of the period if inflation accounting is required. Under U.S. GAAP, revaluations are not permitted.

Under both Argentine and U.S. GAAP, property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recovered. The carrying value of a long-lived asset is considered impaired by the Company when the expected cash flows, undiscounted and without interest, from such asset is separately identifiable and less than its carrying value. In that event, a loss would be recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined using the anticipated cash flows discounted at a rate commensurate with the risk involved or based on independent appraisals. The principal differences between both Argentine and U.S. GAAP related to the accounting for impairments follows:

- Under U.S. GAAP, a long-lived asset or assets should be grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Argentine GAAP requires the impairment analysis be made at business segment levels (*e.g.*, business line, activity, etc).
- Argentine GAAP permits restoration of previously recognized impairment losses as a result of a change in estimates. In that event, the asset should be measured at the lower of its (i) carrying amount before the impairment, adjusted for any depreciation expense that would have been recognized had the asset not been impaired, or (ii) its new recoverable value (*i.e.* fair value). U.S. GAAP prohibits reversals of impairment losses for assets to be held and used. When an impairment loss is recognized under U.S. GAAP, the adjusted carrying amount of the asset becomes the new cost basis which is amortized over the remaining useful life of the asset.
- The ASC 410 “Asset Retirement and Environmental Obligations” which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This statement applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or the normal operation of a long-lived asset, except for certain obligations of lessees. Argentine GAAP does not contain specific guidance associated with asset retirement obligations.

#### ***Property, Plant and Equipment Retired from Production and Held for Sale***

Under Argentine GAAP, property, plant and equipment retired from the production process and held for sale are reported at their net realizable value (*i.e.* fair market value less selling expenses). Where the net realizable value exceeds the previous carrying value, a gain should be recognized only if either of the following two conditions is met: (a) there is an active sales market and the net realizable value is based on similar transactions closed to the year-end, or (b) the sales price is fixed by contract. Otherwise, property, plant and equipment retired from the production process and held for sale should be reported at its carrying amount (original cost net of accumulated depreciation). Argentine GAAP does not provide specific criteria to be met in order to be classified as held for sale.

Under U.S. GAAP, property, plant and equipment held for sale must be reported at the lower of its carrying amount or fair value less cost to sell. Assets held for sale are not depreciated. ASC 360 “Property, Plant and Equipment” establishes criteria to determine when a long-lived asset is held for sale. Among other things, those criteria specify that (a) the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and (b) the sale of the asset must be probable, and its transfer expected to qualify for recognition as a completed sale, within one year, with certain exceptions. ASC 360 provides guidance on the accounting for a long-lived asset if the criteria for classification as held for sale are met after the balance sheet but before the issuance of the financial statements. That guidance prohibits retroactive reclassification of the asset as held for sale at the balance sheet. ASC 360 also provides guidance on the accounting for a long-lived asset classified as held for sale if the asset is reclassified as held and used. The reclassified asset should be measured at the lower of its (a) carrying amount before being classified as held for sale, adjusted for any depreciation expense that would have been recognized had the asset been continuously classified as held and used, or (b) fair value at the date the asset is reclassified as held and used.

ASC 360 requires that a long-lived asset to be abandoned, exchanged for a similar productive asset, or distributed to owners in a spin-off be considered held and used until it is disposed of. This guidance requires that the depreciable life of a long-lived asset to be abandoned be revised and also requires that an impairment loss be recognized at the date a long-lived asset is exchanged for a similar productive asset or distributed to owners in a spin-off if the carrying amount of the assets exceeds its fair value.

ASC 420 “Exit or Disposal Cost Obligations” indicates that a liability for a cost associated with an exit or disposal activity shall be recognized and measured initially at its fair value in the period in which the liability is incurred, except as for a liability for one-time termination benefits that is incurred over time. In the unusual

circumstance in which fair value cannot be reasonably estimated, the liability shall be recognized initially in the period in which fair value can be reasonably estimated.

### ***Capitalization of Financial Costs During Construction or Production***

Both Argentine and U.S. GAAP requires the capitalization of borrowing costs attributable to the production, construction or assembly of an asset if certain conditions are met. There are specific criteria for each GAAP. Under Argentine GAAP, foreign exchange losses and adjustment for inflation are considered borrowing costs and, therefore, are subject to capitalization. Argentine GAAP also allows capitalization of interests costs related to shareholders' financing. Under U.S. GAAP, foreign exchange losses, adjustment for inflation and interest costs related to shareholders' financing, capitalization is not permitted.

### ***Debt Restructuring***

Under Argentine GAAP, RT 17 establishes that an exchange of debt instruments with substantially different terms is a debt extinguishment and that the old debt instrument should be extinguished. RT 17 clarifies that from a debtor's perspective, an exchange of debt instruments between or a modification of a debt instrument by a debtor and a creditor is deemed to have been accomplished with debt instruments that are substantially different if the present value of the cash flows under the terms of the new debt instrument is at least 10% different from the present value of the remaining cash flows under the terms of the original instrument. The new debt instrument should be initially recorded at fair value and that amount should be used to determine the debt extinguishment gain or loss to be recognized. Fair value should be determined by the present value of the future cash flows to be paid under the terms of the new debt instrument discounted at a rate commensurate with the risks of the debt instrument and time value of the money.

Under U.S. GAAP, whenever an existing debt obligation is extinguished prior to its scheduled maturity, the issuer must recognize currently in income the difference between the reacquisition price and the net carrying amount of the extinguished debt. Reacquisition price is defined to include costs of reacquisition. Net carrying amount is defined to include unamortized debt issuance costs and any premium or discount related to the extinguished debt. That amount will also be affected if there was a beneficial conversion feature on the debt extinguished.

Under ASC 470 "Debt", provides guidance for determining whether a debt extinguishment has occurred for accounting purposes when (a) there is a legal exchange of existing debt for new debt with the same lender or (b) the existing debt is amended, resulting in the recognition of an extinguishment gain or loss by the debtor. In this context, it should also be noted that a legal exchange of existing debt for new debt with the same lender, while constituting a legal extinguishment of the existing debt, is not necessarily an accounting extinguishment. Under ASC 470, if a change involving the same lender, regardless of the legal form, is "substantial," then for accounting purposes the old debt instrument is considered extinguished, and a new debt instrument should be recorded. "Substantial" is defined as a change or changes in which the present value of the remaining cash flows is at least 10% different from the present value of the remaining cash flows under the original terms. Where there is a debt extinguishment under ASC 470 as a result of the debt having "significantly different terms," the "new" debt instrument should initially be recorded at fair value and that amount should be used to determine the debt extinguishment gain or loss to be recognized and the effective interest rate of the new instrument. Any fees paid by the debtor to the creditor in connection with an extinguishment are to be included in determining the debt extinguishment gain or loss to be recognized. Costs paid to third parties should be amortized over the term of the new debt using the interest method in a manner similar to debt issue costs. Where the changes to the debt are not "substantial," such that there has been no accounting extinguishment, then a new effective interest rate is determined based on the carrying amount of the original debt and the revised cash flows. Any fees paid by the debtor to the creditor along with any preexisting unamortized premium or discount are amortized as an adjustment to interest expense over the remaining term of the debt using the interest method. Costs paid to third parties should be expensed as incurred.

ASC 470 also states that a debtor in a troubled debt restructuring involving only modification of terms of a payable (that is, not involving a transfer of assets or grant of an equity interest) shall account for the effects of the restructuring prospectively from the time of restructuring, and shall not change the carrying amount of the payable at the time of the restructuring unless the carrying amount exceeds the total future cash payments specified by the new

terms. That is, the effects of changes in the amounts or timing (or both) of future cash payments designated as either interest or face amount shall be reflected in future periods. Interest expense shall be computed in a way that a constant effective interest rate is applied to the carrying amount of the payable at the beginning of each period between the restructuring and maturity. If, however, the total future cash payments specified by the new terms of a payable, including both payments designated as interest and those designated as face amount, are less than the carrying amount of the payable, the debtor shall reduce the carrying amount to an amount equal to the total future cash payments and shall recognize a gain on restructuring equal to the amount of the reduction. Thereafter, all payments under the new terms shall be accounted for as reduction of the carrying amount of the payable, and no interest expense shall be recognized. ASC 470 also provides guidance to determine whether a transaction should be considered a “troubled debt restructuring” or not.

Under U.S. GAAP, an extinguishment occurring subsequent to the end of the fiscal year but prior to the issuance of the financial statements should be accounted for as a Type II subsequent event.

### ***Employee Termination Costs in Restructuring Plan***

Under Argentine GAAP, RT 18 requires the recognition of a restructuring provision only when several conditions are met. In general, these conditions are met if a detailed formal plan was announced or implementation was begun.

U.S. GAAP prohibits the recognition of a liability based solely on an entity’s commitment to a plan. The provision must meet the definition of a liability, including certain criteria regarding the likelihood that no changes will be made to the plan or that the plan will be withdrawn.

### ***Income taxes***

Under both Argentine and U.S. GAAP, the liability method is used to calculate the income tax provision, as specified in RT 17 and ASC “Income Taxes”, respectively. Under the liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are also recognized for tax loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recorded or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized for that component of net deferred tax assets which is not recoverable.

However, under Argentine GAAP, the differences between the price-level restated amounts of assets and liabilities and their historical basis are treated as permanent differences for deferred income tax calculation purposes in accordance with Resolution MD No. 11/2003 issued by CPCECABA. U.S. GAAP requires such differences to be treated as temporary differences in calculating deferred income taxes.

### ***Treasury Stock***

Under Argentine GAAP, the acquisition of treasury stock is generally accounted for by reducing common stock by its par value and the excess of the consideration paid over the par value is recorded against retained earnings. The reissuance of treasury stock is accounted for as an increase in common stock and an increase in retained earnings.

Under U.S. GAAP, when treasury shares are acquired with the intent to reissue them, the acquisition (and subsequent reissuance) of treasury shares can be accounted for using the “cost method” or the “par value method.” Under both methods, treasury stock is disclosed separately on the balance sheet as a debit in (deduction from) stockholders equity. Under the “cost method,” treasury stock is recorded at cost (*i.e.* the amount paid by the company). Upon sale or disposition, the treasury stock is credited for its cost and any theoretical gain (loss) is recorded as a credit (debit) to additional paid-in capital (in the case of a theoretical loss only to the extent of available net gains from previous treasury stock sales, and otherwise to retained earnings). Under the “par value

method,” treasury stock account is increased only by par value of acquired stock. Any excess paid per share is debited to additional paid-in capital, but only for the amount per share that was originally credited to additional paid-in capital when the stock was previously issued (any excess over the original Additional Paid-In Capital (**APIC**) amount per share is charged to retained earnings). If the cost paid per share is less than par value, the difference is credited to APIC. The reissuance of shares under the “par value method” is accounted for in a manner similar to any original issuance of stock. When treasury shares are acquired with the intent to retire them, the shares are reflected as a reduction of common stock at par value and any excess paid per share is debited to retained earnings or alternatively to both retained earnings and APIC.

### ***Share-based Compensation, Employee Pension Costs and Other Post-Retirement Benefits***

Under Argentine GAAP, RT 17 requires an employer to accrue a liability for employee’s rights to receive compensation for past services rendered, including pension and post-retirement benefits. However, no detailed and extensive guidance currently exists on the recognition and measurement of stock-based compensation, employee pension costs and other post-retirement obligations.

Under U.S. GAAP, detailed and extensive guidance exist in accounting for these types of labor costs. As a result, significant differences may exist in accounting for these costs between both Argentine and U.S. GAAP. Provided below is the guidance applicable for each type of labor cost under U.S. GAAP.

(1) “*Share-based Compensation.*” ASC 718 “Compensation – Stock Compensation” requires companies to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost will be recognized over the period during which an employee is required to provide services in exchange for the award that is the requisite service period (usually the vesting period). ASC 718 applies to all awards granted after the required effective date and to awards modified, repurchased, or cancelled after the date.

(2) “*Employee pension cost.*” Employee pension costs are recognized in accordance with ASC 715 “Compensation – Retirement Benefits”. ASC 715 requires the use of an actuarial method for determining defined benefit pension costs and provides for the deferral of actuarial gains and losses (in excess of a specific corridor) that result from changes in assumptions or actual experience differing from that assumed. ASC 715 also provides for the prospective amortization of costs related to changes in the benefit plan, as well as the obligation resulting from transition and requires disclosure of the components of periodic pension costs and the funded status of pension plans. In addition, ASC 715 requires the immediate recognition of deferred pension costs when some or all of the following conditions are met: (a) pension obligations are settled; (b) defined benefits are no longer earned under the plan and the plan is not replaced by other defined benefit plan; (c) there are no remaining plan assets; and (d) employees are terminated or the plan ceases to exist.

(3) “*Post-retirement obligations.*” Post-retirement obligations are accounted for in accordance with ASC 715. Under ASC 715, an employer’s promise to provide retirees with postretirement benefits represents a form of deferred compensation. The cost of those benefits should be recognized systematically over employee’s service periods.

### ***Revenue Recognition***

Under Argentine GAAP only general guidance exists for revenue recognition.

The guidance under U.S. GAAP is extensive. U.S. GAAP focuses on revenues being earned and realized. Additional guidance for SEC registrants sets out criteria, which an entity must meet for revenue recognition purposes. In addition, SEC pronouncements provide guidance related to specific revenue recognition situations.

### ***Derivatives and Hedging Activities***

Under both Argentine and U.S. GAAP, all derivatives are recognized on the balance sheet as either financial assets or liabilities. They are initially measured at cost defined as the fair value on the acquisition date and

include directly related transaction costs. Both Argentine and U.S. GAAP require subsequent measurement of all derivatives at their fair value, regardless of any hedge relationship that might exist. Changes in a derivative's value are recognized in the income statement as they arise, unless they satisfy the criteria for hedge accounting.

Under Argentine and U.S. GAAP, detailed guidance is set out in the respective standards dealing with hedge accounting. For derivatives classified as fair value hedges, both Argentine and U.S. GAAP require gains and losses on fair value hedges (for both the hedging instrument and the item being hedged), be recognized in the income statement. For derivatives classified as cash flow hedges, Argentine GAAP requires gains and losses on the hedging instrument, where they are effective, be reported on a separate caption between liabilities and shareholders equity denominated "temporary measurement differences related to effective-hedge financial instruments." Such gains and losses are subsequently released to the income statement concurrent with the deferred recognition of the hedged item.

Under U.S. GAAP, such effective gains and losses are temporarily reported as a separate component of other comprehensive income. Under both Argentine and U.S. GAAP the ineffective portion is reported in the income statement. For derivative instruments classified as hedges of net investments in foreign operations, both Argentine and U.S. GAAP requires gains and losses on the hedging instrument, where they are effective, be reported in a manner similar of translation adjustments. See "Foreign Currency Translation". The ineffective portion is reported in the income statement under both Argentine and U.S. GAAP.

#### ***Prior Period Adjustments***

Under Argentine GAAP, prior period adjustments encompass corrections of errors in previously-issued financial statements and the effects of changes in accounting principles.

Under U.S. GAAP, prior period adjustments are generally limited to corrections of errors.

#### ***Accounting Changes***

Under Argentine GAAP, the cumulative effect of changes in accounting principles is generally applied as an adjustment to the current year's opening equity balance and prior period retained earnings are restated for comparative purposes.

Under U.S. GAAP, the cumulative effect of changes in accounting principles is generally disclosed as an adjustment to earnings in the year of the change, along with *pro forma* disclosure of the effects of such change on prior years' financial statements.

#### ***Statement of Cash Flows***

Under both Argentine and U.S. GAAP, a statement of cash flows describing the cash flows provided by or used in operating, investing and financing activities is required. However, under Argentine GAAP, the effect of exchange rate changes and the effect of inflation on cash and cash equivalents are not disclosed by presenting additional cash flow statement categories as required by U.S. GAAP. As a result, certain differences exist between cash flows prepared under Argentine GAAP and cash flows prepared following U.S. GAAP. In addition, U.S. GAAP provides specific and more detailed guidance regarding the classification and presentation of particular transactions.

#### ***Earnings per Share***

Both Argentine and U.S. GAAP requires public companies to disclose EPS information in their financial statements. Even though guidance set forth in RT 18 is similar to the basic principles set forth in ASC 260 "Earnings Per Share", certain differences exist between Argentine GAAP and U.S. GAAP. Under Argentine GAAP, there is no specific guidance on how to compute the dilutive effect of any outstanding stock options and warrants.

Under U.S. GAAP, the treasury-stock method is required. In addition, under U.S. GAAP there is a more detailed guidance for computing basic and diluted EPS.

#### ***Other Income (Expenses)***

Certain amounts classified as other income (expenses) in Argentine GAAP financial statements may not qualify as other income (expenses) under U.S. GAAP. Such items are generally reflected as a deduction from operating income (loss).

#### ***Discontinued Operations***

Under both Argentine and U.S. GAAP, companies are required to separately disclose information with respect to discontinued operations. However, certain differences may exist regarding the timing, measurement and presentation of discontinued operations between Argentine and U.S. GAAP.

#### ***Comprehensive Income***

Under Argentine GAAP, there are no specific regulations regarding the presentation of comprehensive income.

Under U.S. GAAP, ASC 220 “Comprehensive Income” establishes guidelines for the reporting and presentation of comprehensive income and its components (revenues, expenses, gains and losses) in a full set of general purpose financial statements. ASC 220 requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. ASC 220 provides three alternative formats for reporting comprehensive income.

#### ***Advances to Suppliers***

Under Argentine GAAP, funds advanced to suppliers are included in the appropriate asset account (*i.e.* inventory, fixed asset, etc.) to which the advance relates.

Under U.S. GAAP, these funds are treated as a deposit until the actual property or equipment procured by such funds has been purchased and specifically identified. Accordingly, such funds are generally classified as “Other assets.”

#### ***Financial Statement Disclosures***

Argentine GAAP in general requires less information to be disclosed in financial statement footnotes than U.S. GAAP. In addition, classification of items in the balance sheet and income statement between both Argentine and U.S. GAAP may differ.

#### ***Unaddressed Issues***

Argentine GAAP provides that in the event no literature exists for a particular transaction, the entity should follow international standards of general application. If a company is subject to the regulations of the SEC, the entity should follow U.S. GAAP in accounting for unaddressed issues under local GAAP.



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