

EDENOR S.A.

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

ANNUAL REPORT 2015

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Letter from the Chairman

To the Shareholders:

I hereby submit for your consideration the Annual Report, the Financial Statements and other documentation related to the fiscal year ended December 31, 2015, which the Board of Directors sends to the Company Annual General Meeting for the discussion thereof.

The referred to documentation reflects the Company's performance in the twenty-fourth fiscal year, period which, with the vantage point of writing this letter subsequent to year-end, we would like to consider as the last "irregular" fiscal year in terms of regulatory and economic aspects.

The fiscal year 2015 closed not only with a significant positive result but also with the reversal of the financial deficit recorded at the end of the previous year, as a result of a series of government measures that sought to mitigate the serious situation which the Company was undergoing due to the freezing of the electricity rates. Nevertheless, the measures to which we will refer are no longer in effect at the date of this letter. They have been replaced with very important and long demanded measures aimed to normalize the sector.

The need to adjust the economic and financial situation of electricity distribution companies under federal jurisdiction led to the issuance, in March 2015, of Energy Secretariat Resolution No. 32/2015 (the "Resolution 32"), which approved a theoretical electricity rate schedule for distribution companies, covered with the Federal Government's funds, to be applied as from February 1, 2015.

Resolution 32 also provided that as from February 1, 2015 the funds collected by the Distribution Company as a consequence of the implementation of the Program for the Rational Use of Electric Power ("PUREE") (SE Resolution No. 745/2005) – recorded until that time as a debt of the Company- were to be regarded as part of the Distribution Company's income and earmarked for covering the higher costs of the provision of the electricity distribution service. In addition, the Resolution authorized distribution companies to offset until January 31, 2015 the PUREE-related debts against and up to the amount of the Company's receivables resulting from the partial application of the Cost Monitoring Mechanism ("MMC") set forth in the Memorandum of Understanding concerning the Renegotiation of the Concession Agreement (the Adjustment Agreement), approved by Executive Order No. 1957/2006 of the National Executive Power, that had not been transferred to the electricity rate.

Because of that, and mainly as a consequence of the implementation of the above-mentioned resolution, in 2015 the financial deficit situation with which the Company had ended the previous fiscal year was reversed, having been unnecessary to call an Extraordinary Shareholders' Meeting to consider the reduction of the Company's share capital. Therefore, in the fiscal year being reported the Company recorded additional income as government grants supplementary to the Distribution Added Value ("VAD") for ARS 5.6 billion, of which ARS 4 billion related to Resolution 32, ARS 568 million to collections under the PUREE, \$ 496 million to the waiver of loans for consumption (mutuums) received for the payment of salary increases, and ARS 551 million to the recognition of higher costs not included in electricity rates. It is mainly due to this income that in fiscal year 2015 it was possible to reverse the operating deficit of ARS 3.3 billion to a net positive result of ARS 1.1 billion.

Furthermore, and only through these financing mechanisms was it possible to resist the impact of the personnel salary increases over the last years, in which salary discussions were resolved by means of agreements with and resolutions of the different regulatory authorities who decided upon the financing sources not provided for in the regulatory framework in effect, outside a collective bargaining negotiation with the participation of the Company as one of the parties and with genuine funds, as would be the case in a normal situation.

The fiscal year 2015 brings to an end a four-year period in which the Company made every effort to operate in a distorted market, beginning in 2012 when we decided to warn government officials of the previous administration that their inaction would have very serious consequences in the level of the service and that the freezing of rates acted as an incentive to careless consumption that made it necessary to significantly increase investments to satisfy the demand for electricity. The serious situation not only affected Edenor's economic rights, but also altered the conditions for the normal provision of the service.

Due to the fact that in the Company's opinion the Grantor of the Concession's failure to comply with the provisions of the Adjustment Agreement considerably damaged its economic and financial situation, in 2013 the Company filed a complaint against the Federal Government, claiming not only the effective compliance with the obligations under the Adjustment Agreement, but also compensation for damages due to the non-compliance with such obligations. The judicial pronouncement sought should consider as well, the recognition of all those rights to which we are entitled and which we believe were not protected by Energy Secretariat Resolutions Nos. 250/13 and 32/15.

However, convinced as we still are, that our first obligation is the provision of the electricity service, in Edenor we decided to launch an investment plan on a scale never attempted before in the Company's history and more substantial than that required by the authorities then in office, in order to confront the expected increase in the demand, which over the last 10 years grew a colossal rate of 44.5%, whereas in comparable cities like Santiago de Chile or San Pablo it increased 15% or in New York where it grew 3%.

Taking up this formidable challenge, we increased our level of investments from approximately USD 100 million per year between 2007 and 2011 to USD 179, USD 206 and USD 274 million in the last three fiscal years, and this was reflected in an improvement on the quality of the service, with the consequent reduction in the number of power outages and the duration thereof. We are proud of having accomplished that. Investments should be planned and projected, and the execution thereof tendered and awarded. Permits to occupy land, rights-of-way for transmission lines, etc. should be requested. Nothing of this can be done faster than we did. We undertake to continue this investment program until we reach the quality of service our customers deserved, which is the essence of our mission and vocation.

However, because of the operating deficit recorded by the Company in the last years as a consequence of the imbalance between the development of its revenue and expenses, resulting from the freezing of electricity rates and the increase of operating costs and investments, the Company was forced to adopt emergency measures, such as deferring the payment of amounts owed to CAMMESA for the energy purchased from the Wholesale Electricity Market ("MEM"), not paying the penalties imposed for the deterioration of the service quality level, and accepting, among other available financing sources, loans for consumption (mutuums) to afford investment and salary payment.

At the closing date of fiscal year 2015, due to all these mechanisms, the Company accumulated debts with different government and quasi-governmental agencies, such as the debt with CAMMESA, which, including interest, amounts to ARS 2.7 billion for the energy unpaid to the MEM, and to ARS 1.3 billion for the loans for consumption (mutuums) granted by CAMMESA, as instructed by the Energy Secretariat in the framework of SE Resolution 65/2014. This Resolution provided for the granting of the aforementioned loans for consumption (mutuums) to cover the temporary insufficiency of the funds deriving from the Fund for Electric Power Distribution Expansion and Consolidation Works ("FOCEDE") created to finance the works plan called "extraordinary". Such mechanism, pursuant to which the Federal Government agreed to finance ARS 2.9 billion, was canceled as from February 1, 2016 by MEyM Resolution No.7 when disbursements for nearly ARS 2 billion were still to be made. If unpaid penalties for a nominal amount of more than ARS 1 billion are also considered, we'll have a clear picture of the starting point.

In spite of the Company's precarious situation, the permanent commitment of all the personnel, who put great effort into their daily activities, has made it possible to maintain the level of service and satisfaction of our customers among the best of those provided by public utility companies in Argentina. Although all service quality indicators have remained at reasonable levels, we are acutely aware that they have deteriorated. This analysis cannot disregard the fact that due to the lack of price signals, the residential demand has continued to grow, with the consequent impact on both the distribution network facilities and the level of breakdowns and claims.

In the last week of January 2016, by means of Resolutions 6/2016 and 7/2016 of the Energy and Mining Ministry and Resolution 001/16 of the ENRE, the Executive Power and the regulatory agency introduced a series of very significant changes that will affect the development of this Distribution Company, among which the following are worth mentioning:

- ✓ Revocation of Resolution 32/2015 and implementation of a new electricity rate schedule;
- ✓ Termination of the system implemented for the granting of loans for consumption (mutuums) for investments;
- ✓ Increase in the value of the average monomic seasonal purchase price (which includes Power, Transmission and other charges) from 86.46 ARS/MWh (Real) to 320.77 ARS/MWh (Estimated Average); the latter value comprises all consumption categories, subject to discounts for electricity savings and the creation of a social tariff;
- ✓ Cancellation of the PUREE system;
- ✓ Increase in the value of the fixed charge for investments created by Resolution 347/2012 and transfer to the Company of the responsibility for the management of the funds, eliminating the trusts created by such Resolution;
- ✓ Monthly billing for all Company customers;
- ✓ Instruction to the ENRE to carry out the RTI before December 31, 2016, more than 9 years after the approval by the National Executive Power of the Memorandum of Understanding concerning the Renegotiation of the Concession Agreement that provided for such RTI.

As we have consistently expressed for almost 10 years, we have always believed that government grants were to be directed towards those who needed them, and considered that it was unfair that customers with a high level of purchase power paid bills of ARS 25 per month that did not even cover 10% of the costs of the service.

The announced measures seek to begin a process aimed at providing the sector with sustainability, promoting non-renewable resources savings, improving the service and ensuring that the assistance provided by the Federal Government reaches those who need it. In this first stage, 90% of Edenor customers will pay between ARS 80 and 300 per month, an amount well below that paid for other services such as cable TV or cell phones. Additionally, the establishment of a social tariff, with a consumption of 150kWh with no variable cost, and the possibility of paying a price equivalent to 10% of the full electricity rate for those who save energy consumption, not only ensures that those who need the Government assistance will not be left out, but also encourages customers to save on the use of this scarce resource.

We are enthusiastic about the path chosen, and are willing to make every effort and offer our cooperation in order for it to succeed. However, as we mentioned before, some flexibility and professionalism will be necessary to overcome some limitations and/or difficulties we foresee, such as paying accumulated debts and improving our work productivity. It will be necessary to continue incorporating modern technology and adapting the regulatory frameworks to cope with our customers' needs in terms of novelties and advances, to ensure access to the universal service in the face of increased demand and to generate the adequate signals for innovations, investments and savings to increase.

With regard to the financial debt, it increased almost 54% as compared to the previous year, due mainly to the effect of the rate of exchange. In 2015, interest payments on the financial debt were timely made.

In relation to environment protection, safety, occupational health and corporate social responsibility, Edenor has consolidated its vision of social responsibility as a tool for the sustainable development of the business, through an approach that takes into consideration all the principles which, we believe, must be dealt with therein. In this regard, we will continue working on the integration of the different areas of work in aspects related to the protection of the environment, the respect for persons, the transparency and the fair and efficient performance in our technical and commercial operations.

With regard to technological innovations, in 2015 “EDENOR 2.0” continued to be developed. This new platform, which the Company customers can install on their smartphones, allow them to have access to information about their accounts, make claims, take note of their consumption reading, geolocalize the Company’s commercial offices, and carry out all the procedures/formalities carried out in any commercial office, thus practically transforming this platform into a virtual office.

In that same regard, in 2015 the Company implemented the first stage of the so-called Technical Project, whose main objectives are to achieve higher efficiency and effectiveness in emergencies, an improvement in work productivity and quality, and an adequate follow-up and management of the assets comprising the distribution network. In this manner, the workforce management system is currently in operation, and we continue working on the implementation of the asset management system. Thanks to these projects Edenor is once again among the world’s pioneers in technological advances applied to the electricity distribution service.

Moreover, in the period under analysis, Edenor carried out multiple actions to tackle energy theft and thereby reduce energy losses not attributable to technical causes. In relation to this, the more than 150 claims brought in Court, mostly against real estate builders or developers, for clandestine connections in entire buildings and irregular supply conditions in high-value properties located in gated communities, are worth mentioning. The Company intends to continue with and even increase these market discipline actions in 2016, not only by filing the respective claims but eventually disseminating these control operations and their results as well.

It must be pointed out that at the time of issuance of this annual report, the electricity supply issue is very present in all the media due to the combination of the recently approved increase in electricity rates and the heat wave that causes power outages as a consequence of the excess demand in peak hours. In this regard, it is important to point out that in Edenor’s concession area, power outages were not massive nor did they affect entire neighborhoods, they rather involved specific cases. The Company made available all its material and human resources in order for the heat wave to have the lowest possible impact on its customers, assigning approximately 1,000 work crews to the emergency.

Finally, I would like to express my gratitude to all the Shareholders of the Company for their continued trust in this management and for having accompanied us during these years of crisis, and to the Board of Directors of Edenor and the Supervisory Committee for their continuous support throughout fiscal year 2015. I would also like to specially thank all the Company personnel, whose effort, commitment and professionalism made it possible to achieve satisfactory operating efficiency indices in spite of the circumstances, the uncertainty inherent to our activity and the operating deficit result reflected in the documentation subject to the consideration of the Shareholders.

That commitment and dedication to service which I hereby thank and point out, have allowed the Company to demonstrate, once again, it can rise to the occasion, ratifying its dedication to service and commitment to its Mission.

To our customers, we would like to ratify this Board of Directors and each Edenor employee's undertaking to make every effort to, on a daily basis, provide a service with better quality and safety standards, regardless of the circumstantial problems to be dealt with, well aware of the difficulty caused by an interruption of the supply.

Ricardo Torres
Chairman

1. Relevant data

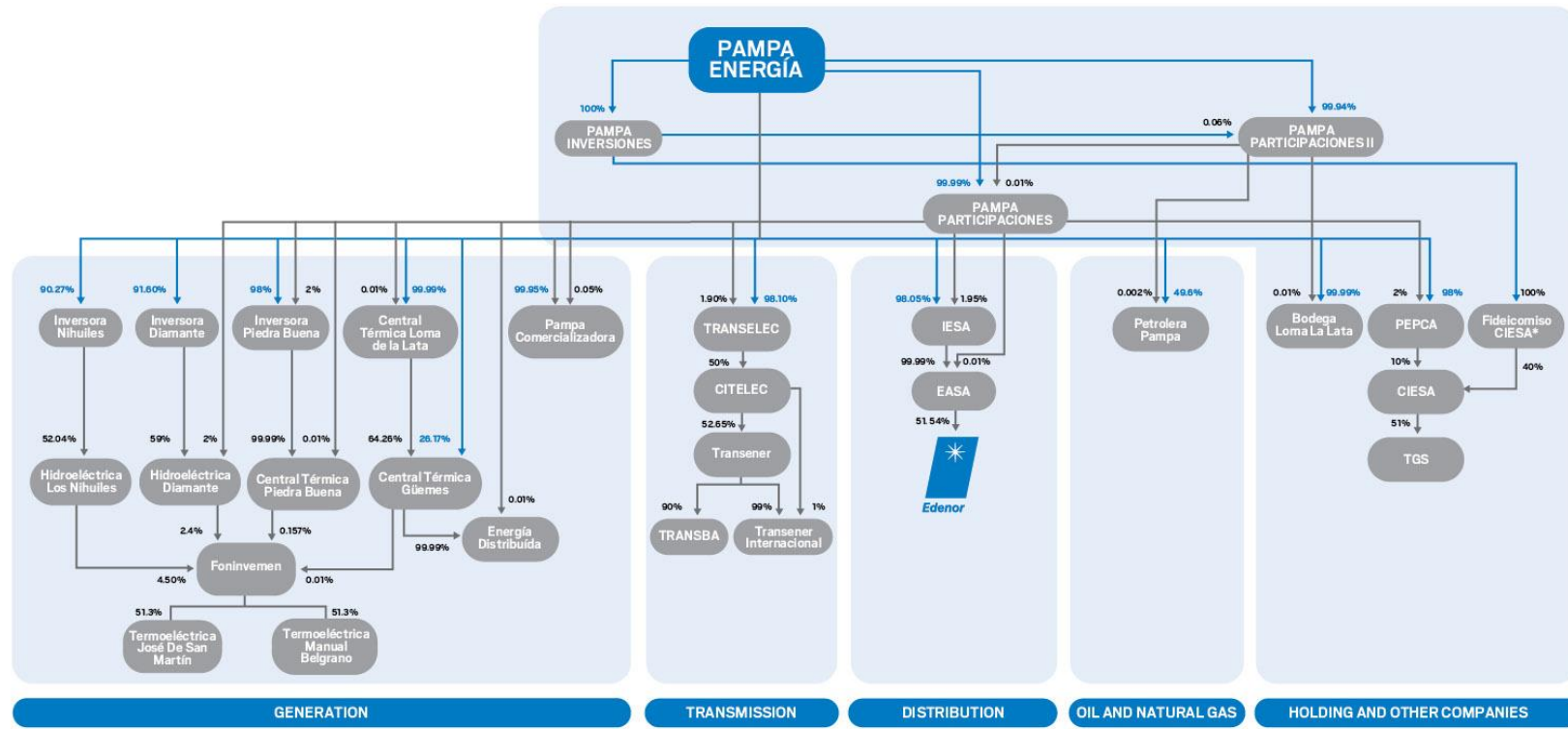
Corporate purpose and concession area

The corporate purpose of the Company is the distribution and sale of electricity within the concession area and under the terms of the concession agreement entered into with the National Executive Power on August 5, 1992, as well as the acquisition of shares of other electricity distribution companies, complying for such purpose with the provisions of section 32 of law 24,065 and being able to provide such companies with operation services related to the distribution and sale of electricity. Furthermore, the Company is authorized to render advisory, training, operation and maintenance, consulting and management, research and analysis services, as well as to assign, whether for valuable consideration or not, the know-how acquired in the development of the business activities and the development, installation and operation of computer programs.

The electricity distribution and sale service is provided on an exclusive basis to all the users connected to the network within the area comprised of the following: in the City of Buenos Aires: the area encompassing Dock "D", unnamed street, path of the future Autopista Costera (coastline highway), extension of Pueyrredón Ave., Córdoba Ave., Ferrocarril San Martín railway tracks, General San Martín Ave., Zamudio, Tinogasta, General Paz Ave. and Río de La Plata river. In the Province of Buenos Aires the area includes the following districts: Belén de Escobar, General Las Heras, General Rodríguez, San Miguel, Malvinas Argentinas, José C. Paz, La Matanza, Marcos Paz, Merlo, Moreno, Morón, Hurlingham, Ituzaingó, Pilar, San Fernando, San Isidro, San Martín, Tigre, Tres de Febrero and Vicente López

Economic group

The Company is part of the business group Pampa Energía, which is the largest fully integrated electricity group in Argentina engaged in the generation, transmission and distribution of electricity.

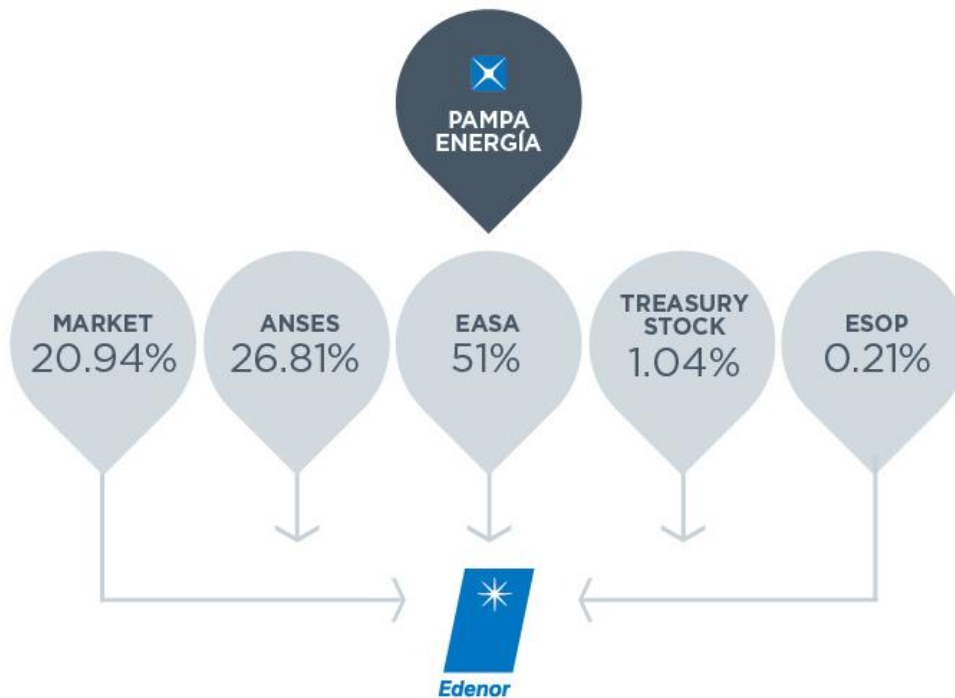


*Pampa Inversiones is the beneficiary and remainderman of the CIESA Trust.

Our shareholders

The share capital of Edenor S.A. is represented by a total of 906,455,100 common, registered, non-endorsable shares, with a par value of one Argentine peso each and the right to one vote per share, divided into three classes: the class “A” shares owned by the Controlling Group, the class “B” free float shares held by the market, and the class “C” shares that remain from the Employee Stock Ownership Program (ESOP).

The graph below shows the ownership of the Company’s common shares as of December 31, 2015:



2. Managing and supervisory boards

Board of Directors

The business of the Company is managed by the Board of Directors, which, in accordance with the Company's By-laws, is comprised of twelve directors and up to the same number of alternate directors. The term of office of all the directors is one year but they may be re-elected for consecutive periods.

In turn, the Board of Directors delegates specific functions to an Executive Committee, which, as the Audit Committee, is comprised solely of regular Board members. As for the Audit Committee, it is entirely comprised of directors who qualify as independent, thus complying with the criteria of the National Securities Commission (CNV) and the Sarbanes-Oxley (SOX) Act.

The Annual General Meeting held on April 28, 2015 appointed the members and alternate members of the Company Board of Directors for fiscal year 2015. Furthermore, the Board of Directors at the Board meeting held on May 8, 2015, subsequent to the Annual General Meeting, distributed the positions and approved the continuance of Mr. Ricardo Torres as Chairman of the Board.

The Board of Directors' composition is as follows:

Name	Position	Class	Independence
Ricardo Torres	Chairman	Class A	Non-independent
Gustavo Mariani	Vice-Chairman	Class A	Non-independent
Marcos Marcelo Mindlin	Director	Class A	Non-independent
Edgardo Volosín [1]	Director	Class A	Non-independent
Pablo Díaz	Director	Class A	Non-independent
Maximiliano Fernández	Director	Class A	Independent
Eduardo Llanos	Director	Class A	Independent
Damián Mindlin [2]	Director	Class A	Non-independent
Emmanuel Álvarez Agis [3]	Director	Class B/C	Independent
Eduardo Setti [4]	Director	Class B/C	Independent
Santiago Durán Cassiet [5]	Director	Class B/C	Independent
Eduardo Endeiza [6]	Director	Class B/C	Independent
Juan Miguel Cuattromo [7]	Director	Class B/C	Independent
Diego Salaverri	Alternate Director	Class A	Non-independent
Leandro Montero	Alternate Director	Class A	Non-independent
Daniel Flaks	Alternate Director	Class A	Non-independent
Gerardo Paz	Alternate Director	Class A	Non-independent
Mariano Batistella	Alternate Director	Class A	Non-independent
Diana Mondino	Alternate Director	Class A	Independent
Haroldo Montagu [8]	Alternate Director	Class B/C	Independent
Martín Breinlinger [9]	Alternate Director	Class B/C	Independent
Juan Donnini [10]	Alternate Director	Class B/C	Independent
Ariel Saks [11]	Alternate Director	Class B/C	Independent
Esteban Serrani [12]	Alternate Director	Class B/C	Independent

[1] Edgardo Volosín: resignation received on November 25, effective as from November 23, 2015.

[2] Damián Mindlin: Appointed as Alternate Director at the Shareholders' Meeting held on April 28, 2015, took office as Director at the Board meeting held on December 16, 2015 to replace Mr. Edgardo Volosín.

[3] Emmanuel Álvarez Agis: resignation received on December 4, effective as from December 10, 2015.

[4] Eduardo Setti: resignation received on December 9, effective as from December 10, 2015.

[5] Santiago Durán Cassiet: resignation received on December 9, effective as from December 10, 2015.

[6] Eduardo Endeiza: resignation received on December 9, effective as from December 10, 2015.

[7] Juan Cuattromo: resignation received on September 9, effective as from September 7, 2015.

[8] Haroldo Montagu: resignation received on December 4, effective as from December 10, 2015.

[9] Martín Breinlinger: resignation received on December 9, effective as from December 10, 2015.

[10] Juan Donnini: resignation received on December 9, effective as from December 10, 2015.

[11] Ariel Saks: Appointed as Alternate Director at the Shareholders' Meeting held on April 28, 2015, took office as Director at the Board meeting held on September 18, 2015 to replace Mr. Juan Cuattromo. On December 4, he submitted his resignation, which became effective as from December 10, 2015.

[12] Esteban Serrani: resignation received on December 9, effective as from December 10, 2015.

Senior Management

The following table provides information on the Senior Management of the Company:

Name	Position
Ricardo Torres	Chairman and Chief Executive Office
Leandro Montero	Chief Financial Officer
Daniel Flaks	Technical Director
Eduardo Maggi	Distribution and Marketing Director
Gerardo Tabakman	Technology, IT and Telecommunications Director
Carolina Sigwald	Legal and Regulatory Affairs Director
Mariana De La Fuente	Human Resources Director

Supervisory Committee

The Company has a Supervisory Committee, which is responsible for overseeing the Company's compliance with the By-laws, the shareholders' resolutions and the applicable laws. Furthermore, and without prejudice to the function developed by the External Auditor, the Supervisory Committee must submit to the Annual General Meeting a written report on the reasonableness of the information included in the Annual Report and the Financial Statements submitted by the Company Board of Directors.

In accordance with the By-laws, the Supervisory Committee is comprised of three members and three alternate members elected by the shareholders at an Ordinary Shareholders' Meeting for a term of one year, although they may be re-elected. The holders of Class A common shares will be entitled to elect two members and two alternate members. The holders of Class B and Class C common shares will be entitled to jointly appoint one member and one alternate member.

The Annual General Meeting held on April 28, 2015 appointed the members and alternate members of the Supervisory Committee for fiscal year 2015, to wit:

Name	Position	Class
Daniel Abelovich [1]	Member	A
Damián Burgio	Member	A
Walter Pardi	Member	B/C
Santiago Dellatorre	Alternate Member	A
Marcelo Fuxman	Alternate Member	A
Jorge Pardo	Alternate Member	B/C

[1]Chairman

Audit Committee

Pursuant to the Capital Markets Law No. 26,831 all listed companies are required to have an Audit Committee comprised of at least three Board members, a majority of whom must be independent in accordance with the criteria set forth by the CNV.

The members of the Audit Committee are appointed by the Company Board of Directors and elected from among Board members who have the highest level of experience in business, financial or accounting matters. In compliance with the Securities and Exchange Commission (SEC) regulations, an "Audit Committee financial expert" must be appointed from among the members of the Committee.

The following Directors were appointed as members of the Audit Committee by the Company Board of Directors at the Board meeting held on May 8, 2015:

Name	Independence	Class
Eduardo Llanos [1]	Independent	A
Maximiliano Fernández	Independent	A
Santiago Durán Cassiet [2]	Independent	B/C

[1] Appointed as Financial Expert at the meeting held on May 8, 2015

[2] Appointed as member of the Audit Committee at the meeting held on September 18, 2015 to replace Mr. Juan Cuattromo. On December 9 he submitted his resignation, which became effective as from December 10, 2015.

Board of Directors and Supervisory Committee members' fees – Board remuneration policy

The total remuneration for the Board of Directors is fixed annually by the Annual General Meeting. For such purpose, the Board of Directors makes a proposal following the provisions of the Argentine Business Organizations Law and the CNV regulations, which set guidelines and limits based on the existence or non-existence of profits. In accordance with the provisions of Law No. 26,831, the aforementioned proposal is previously evaluated by the Audit Committee, which issues an opinion on the reasonableness thereof.

Upon approval of the total remuneration for the Board by the Annual General Meeting, it is the Board of Directors, exercising the authority delegated by the Shareholders' Meeting, which assigns from such amount the remuneration of each director.

Additionally, the Shareholders' Meeting usually authorizes the Board to pay the Directors and Supervisory Committee members who will held office in the following fiscal year, advanced fees up to a certain amount, subject to the approval of the Annual General Meeting that approves the financial statements for such new fiscal year.

Until the date of issuance of this Annual Report, the amount paid as advanced directors' fees for the services provided since the Annual General Meeting held on April 29, 2015 totals ARS 3.6 million. As required by the CNV regulations, provisions have been recorded to cover the payment of Board of Directors and Supervisory Committee members' fees related to fiscal year 2015 for ARS 3.3 million and ARS 0.4 million, respectively.

Senior Management remuneration policy

With regard to the remuneration policy for Senior Management, the Company has implemented a fixed and variable remuneration system. The fixed remuneration is related to both the level of responsibility required for the position and its competitiveness as compared to the market, whereas the variable remuneration is associated with the business objectives set at the beginning of each year and the degree of achievement of such objectives by the performance of the executive member throughout each financial year.

The Board of Directors has not implemented a Remuneration Committee and has delegated to the Human Resources Department the approval of the general policy on the remuneration of the Company employees. The other activities of a Remuneration Committee are also developed by the Human Resources Department, in consultation with the Chairmanship, which is in charge of proposing options and subsequently implementing the specific decisions and policies on these issues. With regard to the remuneration of the Chief Executive Officer, it has been additionally approved by the Audit Committee due to the fact that he is a related party, and the Board of Directors of the Company.

3. Macroeconomic context – The Country's economic situation

Economic activity

In 2015 the real Gross Domestic Product (GDP) annual growth amounted to approximately 1%/1.5%; thus, the economic performance of the year was insufficient to offset the 2.7% fall suffered by the economy in 2014. The activity level, which during the second half of the year was fueled by the effect of winter crops on GDP growth, remained, in general terms, stagnant, thus accumulating four consecutive years of ups and downs, being unable to achieve sustained growth.

With regard to supply, the industrial production continued to show a low performance. The exchange rate lag, the restrictions to import intermediate goods, the slowdown in growth suffered by Argentina main commercial partners, and a weak internal and external demand affected the performance of the manufacturing activity.

In terms of the GDP components, and according to unofficial data, by the end of 2015 private consumption recorded an average increase close to 2.0%, due to the increase in demand mainly as from the second half of the year, although a sense of caution among consumers continued to prevail.

Development of prices

With regard to inflation, in the last months of the year the rise in prices accelerated with prices resuming their upward trend, albeit at a rate lower than that recorded in 2014. Therefore, in the fourth quarter of the year the unofficial data, published on a monthly basis by the Freedom of Expression Commission of the Chamber of Deputies, showed monthly increases above 2%; thus, by the end of the year, the annual rate of increase in retail prices ranged from 26% to 28%.

As for the official data, the last information available on the general consumer price index of the National Institute of Statistics and Census (INDEC) at national level relates to October 2015, according to which such index recorded an accumulated increase during the first ten months of 11.9% and an annual variation of 14.3% as compared to October 2014. The other goods and services account showed the highest increase, recording an accumulated variation of 17%. The two accounts with the highest incidence in the index, which account for 45% of the index and relate to food and beverages and houses and basic services, recorded accumulated increases of 9.7% and 10.9%, respectively.

Foreign trade

The development of the amounts of goods sold showed in 2015 that the weakness of Argentina's trade balance is mostly due to internal political factors rather than the global market conditions. The competitiveness crisis of the tradable-goods sector is not just the result of the development of international prices but rather the consequence of imbalances, such as the exchange rate lag, the persistently increasing tax pressure, and the multiple requirements and restrictions imposed on export and import transactions. These import restrictions continued to be in effect until December 2015, when the new Administration lifted many of the existing restrictions.

According to the provisional data of the INDEC, in 2015 exports decreased more than imports to USD 56.7 billion, showing a negative variation of 17% as compared to the same period of 2014. Imports fell 8.3% as compared to 2014, recording an annual accumulated amount of USD 59.8 billion. Consequently, the trade balance decreased USD 6.1 billion as compared to the annual total of 2014, showing for the first time since 1999 a trade deficit of USD 3.0 billion.

Fiscal situation

In 2015, the imbalance in public finances deepened due to the expansionary fiscal policy, driven by electoral issues, certain public policies and debt payment obligations. The financing of these imbalances through the transfer of funds from the Argentine Central Bank (BCRA) to the National Treasury continued to be one of the main causes of the expansion rate of internal prices. In 2015, the primary deficit of public accounts was close to 1.9% of the GDP, as opposed to the 0.8% recorded in the previous year. This deficit amounts to 3.5%, if the BCRA and other government agencies' transfers are not accounted for as revenue.

Financial system

In 2015, there was a strong and sustained acceleration in the year-on-year rate of increase of the monetary base, which, by the end of the year, recorded an annual increase of approximately 40%. Although the change of authorities in the BCRA in December 2015 resulted in the introduction of changes in the management of the monetary policy, such as the increase in the implicit interest rate in the calls for tender for Argentine Central Bank Bills of Exchange (LEBAC), which allowed for a greater absorption of Argentine pesos and the consequent reduction of the liquidity in the market, it is unlikely that the rate of increase of the monetary base will experience a sudden slowdown in the short-term, quite on the contrary, the reduction of the expansion rate is expected to occur gradually.

With regard to the foreign exchange market, until mid-December 2015, and due to the daily mini-devaluations approved by the BCRA throughout the year, the US dollar price in the official market accumulated a depreciation of 14.9%, maintaining an average gap of more than 50% with the rate of exchange of the American currency in the informal market. Finally, in the last days of December, the new authorities decided to put an end to the restrictions on the purchase of foreign currency implemented in 2011 and, since December 17, 2015 there has only been one rate of exchange for the US dollar, which can be bought without the prior authorization of the Federal Administration of Public Revenues (AFIP). As a result of the elimination of the restrictions on the purchase of foreign currency and the unification of the US dollar rates of exchange in the local market, during the first working days after the lifting of the restrictions, the American currency traded at approximately ARS 13.5 on the retail market, depreciating the Argentine peso by more than 40%.

Outlook

2016 forecasts are marked by caution. The macroeconomic context and the imbalances accumulated specially in the last years of the previous administration (high inflation, fiscal deficit, high monetary issue and commercial restrictions) make it necessary for the new President to implement as soon as possible substantial changes in the economic policy in order to tackle the legacy left behind by his predecessor, bring the economy back on track and put Argentina back on the path to economic growth. In order for this to happen, the recovery of the economy throughout 2016 and the consolidation of growth in 2017 will be of the essence. In this regard, it is expected that the real GDP will contract 1% in 2016 and the inflation rate will remain high; most forecasts project a level of inflation between 8 and 10 points higher than in 2015. In this context, the Company will have to develop its activity with the utmost care considering the levels of costs and revenue necessary for the maintenance of the activity and the investment plan.

4. Argentine electricity market

Legal and regulatory framework

As from the administrative reform and the privatizations provided for by the Federal Administrative Emergency Law No. 23,696 passed in August 1989, there was a fundamental change regarding public services in Argentina. In general terms, a model in which public services were provided by the Federal Government was replaced by a model in which those services were mostly assumed by private companies.

In this context, the electricity sector was no exception. There was a radical transformation based on the vertical and horizontal disintegration of the business with direct consequences in the different stages leading to the supply of electric power. Thus, a system in which the Federal Government was exclusively in charge of the generation, transmission and distribution was replaced by a system in which those activities were separately undertaken by public and private companies, with the Federal Government maintaining a controlling and regulating role.

The legal framework of the privatization process that took place during the 1990's was comprised of the regulatory framework provided for by Federal Law No. 24,065, the express incorporation of public services to the Argentine Constitution and several complementary regulations.

The purpose of such regulations was not only to address the problems of the electricity sector, but also to establish the instruments to carry out the economic policy of subsequent governments. The privatization of the electric power services was carried out with a system in which the Federal Government assumed an active role in both the regulation and control of the generation, transmission and distribution of electricity, delegating to private companies the rendering of the services and giving way to the economic signals to be the stimulus for investments.

The objective of Federal Law No. 24,065 was to modernize the electricity sector by boosting the efficiency and the competition, enhancing the quality of the service and promoting private investments, thus drawing an unprecedented line in Argentina among the generation, the transmission and the distribution of electricity as different business activities and setting out the regulations applicable to each of these activities.

This law established that the services provided by the Company should be rendered at fair and reasonable tariffs that not only include, in the electricity sale price charged to users, the acquisition cost of the electricity in the wholesale market, but also that allow for the generation of sufficient revenue to both cover operating costs, taxes and amortizations, and obtain a rate of return commensurate with the operating effectiveness and efficiency of the Company.

Furthermore, and pursuant to the provisions of the aforementioned legislation, the concession agreements included an initial electricity rate schedule valid for a term of ten years, at the expiration of which the regulatory agency was required to set new rates for successive periods of five years.

In this regard, with the passing of Law No. 25,561 (Economic Emergency and Foreign Exchange System Reform Law) at the beginning of January 2002, and the successive extensions thereof until December 31, 2017, the rate adjustment mechanisms of goods, works or services were declared null and void, thus rendering ineffective the updating of rates mentioned in the preceding paragraph.

On February 13, 2006, the Company and the Unit of Renegotiation and Analysis of Public Utility Contracts (UNIREN), entered into a Memorandum of Understanding concerning the Renegotiation of the Concession Agreement (the Adjustment Agreement), which provides for a Temporary Tariff Structure (RTT) and the subsequent renegotiation of the concession agreement through the carrying out of a "Tariff Structure Review" (RTI) process.

With regard to this review process, during 2009 the Company submitted a tariff structure proposal, as stipulated in the Adjustment Agreement, and complied with the National Regulatory Authority for the Distribution of Electricity (ENRE) requests for additional information thereon. As there were no new developments, and taking into account that the terms stipulated in the Adjustment Agreement had expired, the Company made administrative and judicial presentations in order for the ENRE to take the referred to process forward.

This situation changed on January 27, 2016 when the Energy and Mining Ministry (MEyM), by means of Resolution No. 7/16, instructed the ENRE to take the necessary steps to carry out the RTI process so that the rates resulting therefrom will come into effect before December 31, 2016.

At the same, in the last years after the signing of the Adjustment Agreement, the Federal Government, through the Energy Secretariat (SE) and the ENRE, adopted different temporary measures aimed at mitigating the deterioration of the Company's operative and financial situation as a result of stagnant electricity rates, such as the issuance of ENRE Resolution No. 347/12, SE Resolution No. 250/13 and the signing of loans for consumption (mutuums) agreements for the carrying out of investments and the payment of salaries. In this regard, on March 11, 2015 the SE issued SE Resolution No. 32/15, which addresses the need for the adjustment of the economic and financial situation of distribution companies and considers it necessary that urgent and temporary measures should be adopted in order to maintain the normal provision of the public service, object of the concession.

In turn, on December 16, 2015, by Executive Order No. 134/2015, the new Administration declared the state of emergency in the country's electricity sector until December 31, 2017, and instructed the MEyM to prepare, launch and implement a plan of action for the electricity generation, transmission and distribution segments at national level with the aim of adjusting the quality and safety of the electricity supply and guaranteeing the provision of the electricity public service under adequate economic and technical conditions.

In this same regard, on January 27, 2016 the MEyM issued Resolution No. 6/16, whereby it approves the Wholesale Electricity Market (MEM) summer quarterly rescheduling related to the February-April 2016 period, setting increases in energy and power costs, which are to be transferred to the Company's distribution rate using a system of different prices for residential customers who save energy in relation to their prior year consumption levels and for those who qualify for the application of the social tariff.

Furthermore, by means of the aforementioned MEyM Resolution No. 7/16, the ENRE was instructed to adjust, on account of the RTI, the Distribution Added Value (VAD) in the Company's electricity rate schedules, cancel the Program for the Rational Use of Electric Power (PUREE), and suspend the loans for consumption (mutuums) agreements entered into with the Company.

Finally, on January 29, 2016, the ENRE issued Resolutions Nos. 1/16 and 2/16. The first of them contains the new electricity rate schedule to be applied to each customer category as from February 1, 2016 and provides for the issuance of bills on a monthly basis. The second Resolution provides for the termination of the Fund for Electric Power Distribution Expansion and Consolidation Works (FOCEDE) on January 31, 2016 and the establishment of a new system for the funds collected from the application of Resolution 347/12, which will no longer be deposited in the aforementioned trust.

Concession

The concession was granted for a term of 95 years that may be extended for an additional maximum period of 10 years. The term of the concession is divided into management periods, a first period of 15 years and subsequent periods of 10 years each. At the end of each management period, the Class "A" shares representing 51% of the Company's share capital, currently owned by Electricidad Argentina S.A. (EASA), must be offered for sale through a public bidding.

By means of Resolution No. 467/07, the ENRE provided that the first management period shall be deemed concluded at the end of the five-year tariff period beginning on the date on which the tariff structure review comes into effect.

The Company has the exclusive right to distribute and sell electricity within the concession area to all users who are not authorized to obtain their power supply from the MEM, thus being obliged to supply all the electric power that may be required in a timely manner and in accordance with the established quality levels. In addition, the Company must allow free access to its facilities to any MEM agents whenever required, under the terms of the Concession.

The Company's performance is subject to the terms and conditions of its Concession Agreement and the provisions of the regulatory framework comprised of Federal Laws Nos. 14,772, 15,336 and 24,065, resolutions and regulatory and supplementary regulations issued by the authorities responsible for this matter.

In this context, the Company is responsible for the provision of the public service of electricity distribution and sale with a satisfactory quality level, complying for such purpose with the requirements set

forth in both the Concession Agreement and the regulatory framework, and carrying out the works and investments it deems suitable.

Failure to comply with the guidelines set will result in the application of penalties, based on the economic damage suffered by the user when the service is provided in an unsatisfactory manner, the amounts of which will be determined in accordance with the methodology stipulated in the concession agreement. The ENRE is the authority in charge of controlling strict compliance with the guidelines set.

Wholesale electricity market

In August, 1991, the SE created the MEM, whose participants are the Distributors, Generators, Transmitters and Large Users, called Agents of the electricity market.

Additionally, the need to instantly match supply with demand and the impossibility of storing electricity leads to a centralized dispatch that determines where, who and how much will be generated at the same time. It is for this purpose that in July, 1992, *Compañía Administradora del Mercado Mayorista Eléctrico, Sociedad Anónima* (CAMMESA), the company in charge of the regulation and operation of the wholesale market, is created.

In turn, over the last years, the Federal Government modified the conditions originally established by means of different resolutions, thus having nowadays a significant and decisive participation in the functioning of the MEM.

CAMMESA

The operation of the MEM is managed by CAMMESA. The Federal Government, through the SE, owns 20% of CAMMESA's share capital. The remaining 80% is owned, in equal proportions, by the associations that represent MEM participants: Generators, Transmitters, Distributors and Large Users.

CAMMESA is a non-profit corporation that is responsible, since its creation, for the technical operation of the electricity system and the management of MEM transactions in accordance with the electricity regulatory framework and related regulations, which include, among other responsibilities, the following:

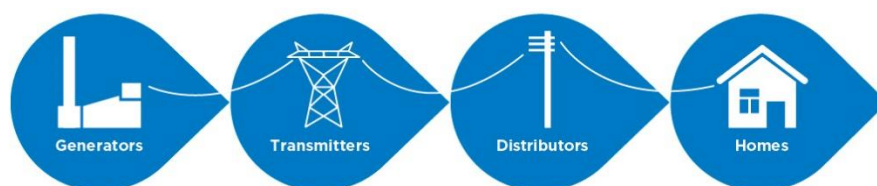
- ✓ determining the technical and economic dispatch of electricity in the national interconnection system (production schedule of all power generation plants of the power system to match production with demand,
- ✓ planning energy capacity needs and optimizing energy use pursuant to the regulations periodically issued by the SE, acting as agent of the various MEM participants,
- ✓ purchasing from or selling electricity to other countries by performing the relevant import/export operations,
- ✓ managing the availability of the generation system,
- ✓ supplying fuel pursuant to SE Resolution 95/13, which includes the management, acquisition, nationalization, control, reception, storage and distribution of liquid fuels to power generation plants by sea, river and land transportation,
- ✓ managing the Supply and Trust Agreements for the new thermal and nuclear power plants, especially for non-conventional sources of energy or those works within the National Hydraulic Works Program.

The operating costs of CAMMESA are covered by mandatory contributions made by all MEM participants.

During the last years, due to the imbalance existing between production costs disbursed and the amount collected from the Agents for their demand through prices that do not cover said costs, the MEM lost its economic self-sustainability. The operating deficit of the MEM's power and energy compensation funds and accounts has been financed by the Federal Government through loans granted to CAMMESA.

MEM participants

The main MEM participants are the companies engaged in the generation, transmission and distribution of electricity, and, to a lesser extent, large users and electricity brokers.



✓ Generators

In Argentina, there are more than one hundred generation companies, there are fewer auto-generation companies, and just a few co-generation companies, most of which operate more than one generation plant. As of December 31, 2015, the installed capacity amounted to 33,493 MW, 61% of which derived from thermal generation, 33% from hydraulic generation, 5% from nuclear generation and 1% from non-conventional sources of energy.

✓ Transmitters

Electricity is transmitted from power generation plants to distribution companies through the high voltage electricity transmission system. Transmission companies do not engage in purchases or sales of electricity, their service is governed by the Electricity Regulatory Framework and related regulations issued by the competent authority. The majority of the system is owned by Transener S.A., a company indirectly and jointly controlled by Pampa Energía S.A. Regional transmission companies own the remaining portion of the Sub-transmission.

✓ Distributors

Each distribution company supplies electricity to consumers and operates the related distribution network in a specific geographic area pursuant to a concession agreement, which provides, among other things, for the concession area, the quality of service required, the electricity rates to be paid by consumers for the distribution service and the obligation to satisfy the demand. The ENRE monitors compliance by federal distribution companies, Edenor S.A. and Edesur S.A. with the provisions of the respective concession agreements and with the Regulatory Framework Law No. 24,065.

✓ Large Users

The MEM classifies large users of energy into three categories: Major Large Users (GUMA), Minor Large Users (GUME) and Particular Large Users (GUPA). At present, each of these user categories purchases its energy demand directly from CAMMESA. Agreements between parties (Generator and Large User) are only limited to the Energy Plus segment with respect to the demand exceeding the base demand, i.e. the amount of energy the user consumed back in 2005.

5. Description of our management activities

In this chapter, we will provide further details about our main achievements over the last year in terms of management.

As an introduction and for the sake of a better understanding of our management, we must mention the key values which are inherent to our Company such as safety, focus on the customer, sustainable development, quality, people, ethics, commitment and responsibility, based on which all of our activities are carried out.

We detail below the main landmarks:

✓ Business management

Demand for electricity

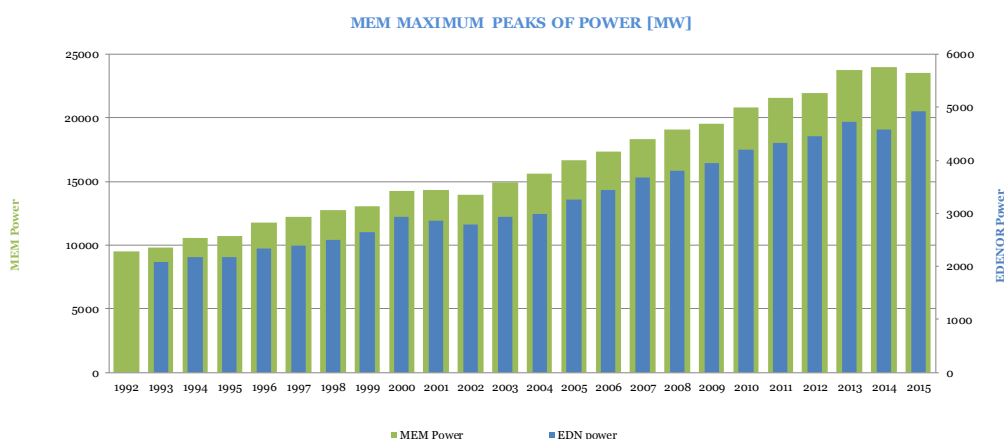
The demand growth rates, except for 2002 and 2009, showed a positive development, despite having recorded a decrease in growth in 2014 and 2015. This development correlates with the MEM's demand.

The Company's demand for electricity as of December 31, 2015 amounted to 26,322 GWh, which represents a 6% increase as compared to that of 2014, whereas the MEM's demand amounted to 131,998 GWh.



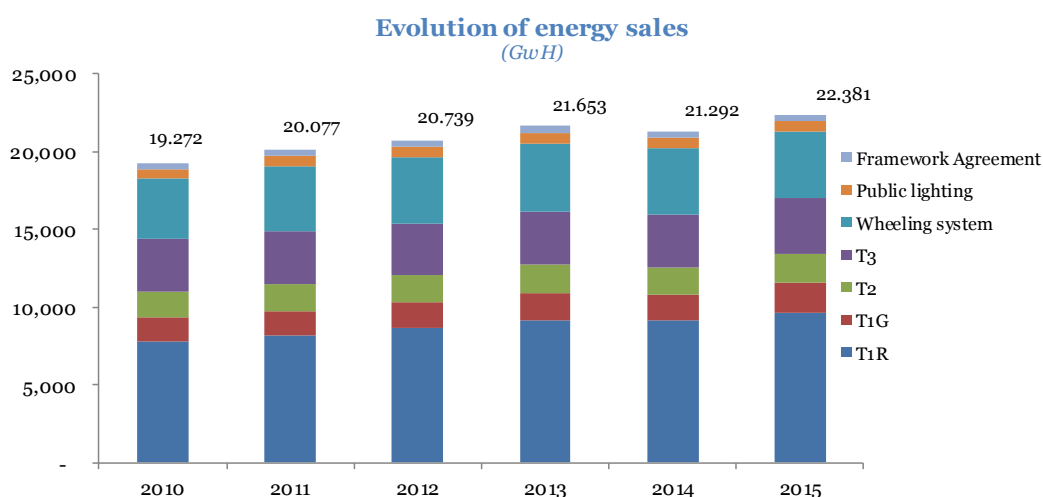
Additionally, in 2015 the Company's highest value of power amounted to 4,927 MW, whereas the highest peak recorded by the MEM was 23,529 MW. Furthermore, according to the data provided by CAMMESA, the MEM's installed capacity as of December 31, 2015 amounted to 33,493 MW.

La evolution of power is the following:



Energy sales

In 2015, the amount of energy sold amounted to 22,381 GwH, which represents a 5.1% increase as compared to 2014. The graph below shows the evolution of sales in the last 5 years.



Energy cost

In Argentina, most of the electricity generated in 2015, as in previous years, was of thermal origin. The energy consumed during 2015 was supplied by the following sources: fossil fuels (oil, natural gas and coal) 64.1%, hydroelectric 30.7%, nuclear 4.8% and renewable sources (wind and solar photovoltaic) 0.4%.

At the same time, and within the category of fossil fuels derived from oil, there is a strong incidence of fuel oil and diesel fuel, which generates growing production costs when compared to previous years as a consequence of the steady increase in the use of this type of fuel.

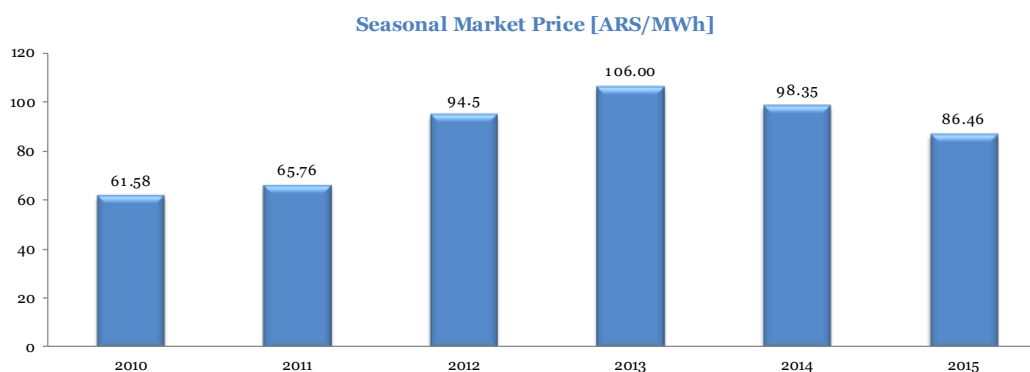
Additionally, the operating costs in the generation sector and, consequently, the monomic market price (including power plus energy) grew 35% on average, as compared to 2014, mainly due to a larger proportion of the imported volume of diesel fuel and liquefied natural gas.

Furthermore, the supply of natural gas allocated to the electricity sector was slightly lower than the consumption recorded in 2014, thus being insufficient to satisfy the increased demand of thermal power plants in winter. Therefore, imports from Bolivia increased.

As from the issuance of SE Resolution 2016/12, there were changes regarding the prices of energy and power applied to the distributors which purchased at seasonal prices. The structure of energy prices for the different sectors of the demand, the power charges and the consideration of a higher differentiated price for losses in excess of the amount recognized in the relevant Concession Agreement were replaced by a system of a single monomic price.

The Company purchased the total amount of energy in the market at an average annual monomic price of 84.46 ARS/MWh. This price amounted to 320.77 ARS/MWh in those cases in which the Federal Government grant did not apply.

The evolution of the average purchase price for the Company in the last four years is shown in the following graph:



Energy losses

The Mobile Annual Rate (TAM) of total losses (technical and non-technical) for 2015 amounted to 14.89%, i.e. 0.62% higher than the rate recorded in the previous year, which amounted to 14.27%

In low-income homes without access to the natural gas network, many handcrafted devices continued to be used mainly during the winter, which generated a large energy demand that is reflected in the increasing number of failures in the medium and low-voltage networks of these areas.

In Regions II¹ and III², new shanty towns continue to appear, along with the growth of the existing ones. The theft of energy in these areas is still the main factor behind the increase in total losses.

At the same time, the longstanding conflicts with unions had a negative impact on the goal of reducing the rate of energy losses.

¹ Includes the districts of Hurlingham, Morón, Ituzaingó, La Matanza, Merlo, Marcos Paz and General Las Heras.

² Includes General Rodríguez, Moreno, San Miguel, Malvinas Argentinas, José C. Paz, Pilar, Escobar, Escobar Islands, Tigre, San Fernando, Tigre Islands and San Fernando Islands.

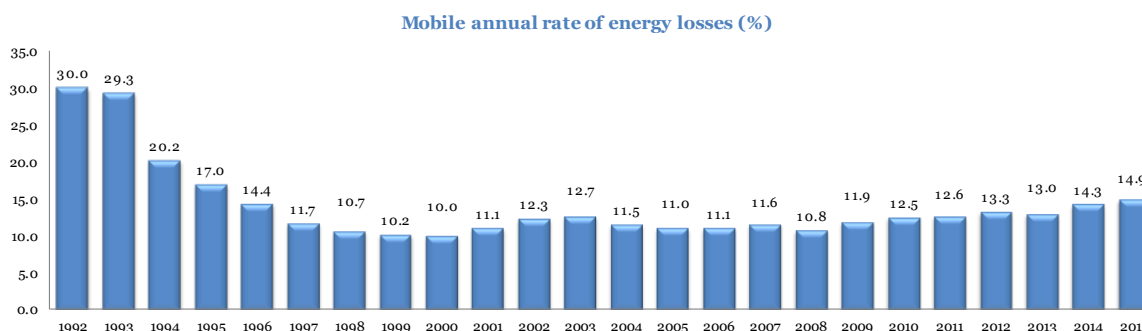
Additionally, in 2015 and with the aid of legal counsels, criminal complaints were filed against customers who were not part of the low-income segment for having committed fraud. In this regard, new technological criteria were established in order to reduce the vulnerability of facilities, developing self-managed meters that can be read and disconnected remotely.

Regarding energy recovery, 799 clandestine customers and 3,332 inactive customers were normalized.

Additionally, 55,836 inspections of T1 meters were carried out with 46% effectivity, 10,762 meter compartments were adjusted and armor-plated, and the related networks were normalized.

Furthermore, anti-fraud control operations were carried out in gated communities and shopping malls, and special plans aimed at detecting fraud in new buildings were developed.

The following histogram shows the development of the annual rates of energy losses since the Company began its operations:



Electricity rates

The Economic Emergency and Foreign Exchange System Reform Law No. 25,561, passed on January 6, 2002, whereby adjustment clauses denominated in foreign currency and indexation mechanisms were declared null and void, was extended once again in 2015.

In 2015, the number of customers that continued to be exempt from paying the electricity rate schedule provided for by ENRE Resolution 628/08, because their consumption levels were higher than 1,000 KWh in a two-month period, and also because they met the exemption requirements set forth in the Resolution, amounted to approximately 275,000, on average. Due to this exemption, the rates applied to these customers' consumption were those provided for in the former electricity rate schedule, i.e. the one established by ENRE Resolution No. 324/08.

As for unsubsidized customers, the Company applied, throughout 2015, SE Resolution No. 1,301/11, pursuant to which these customers paid an average monomic price of ARS 320/MWh.

The application of this Resolution did not change the effects on the Company's VAD.

Adjustment Agreement between the Company and the Federal Government

On February 13, 2006, the Company and the UNIREN entered into a Memorandum of Understanding concerning the Renegotiation of the Concession Agreement (Adjustment Agreement) which provides for the implementation of an RTT as from November 1, 2005, with a 23% increase in the average distribution margin that may not result in an increase in the average electricity rate of more than 15%, and an additional 5% average increase in the VAD, allocated to certain specified capital expenditures. It also provides for the establishment of a social tariff for the needy, the levels of quality of the service to be rendered, and the implementation of a minimum investment plan in the electric network to be fulfilled by the Company.

Tariff Structure Review (RTI)

On July 30, 2008, the SE issued Resolution No. 865/08, which modifies Resolution No. 434/07 and establishes that the electricity rate schedule resulting from the RTI will go into effect in February 2009.

The RTI process began with the issuance by the ENRE of Resolution No. 467/08. On November 12, 2009, the Company made its revenue request presentation for the new period, which included the grounds and criteria based on which the request was made. As from that moment, the Company made successive and reiterated presentations aimed at ending the aforementioned process as well as obtaining the new electricity rate schedule. Among them, a Preliminary Administrative Action (“*Reclamo Administrativo Previo*”) was filed before the Ministry of Federal Planning, Public Investment and Services in March 2012 and a petition for the immediate resolution thereof was made in October 2012. In the Company’s opinion, this claim came to an end due to the issuance of SE Resolution No. 250/13 of May 2013.

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

On December 4, 2015, the Company requested the suspension of the procedural time-limits under the terms of section 157 of the Federal Code of Civil and Commercial Procedure, in accordance with the provisions of SE Resolution No. 32/15, notice of which has been served upon the defendant. On February 16, 2016, the Company reiterated the request due to the revocation of SE Resolution 32/15.

This situation, as mentioned in chapter 4 under “Legal and regulatory framework”, changed on January 27, 2016 when the MEyM, by means of Resolution No. 7/16, instructed the ENRE to take the necessary steps to carry out the RTI process so that the rates resulting therefrom will come into effect before December 31, 2016.

Resolution 347/12

During 2015, the Company continued to apply ENRE Resolution No. 347/12, which provided for the application of a different fixed amount for each of the different electricity rate categories, with the only exception of those customers who were exempt from paying the electricity rate schedule provided for in ENRE Resolution 628/08.

These amounts, which will continue to be managed by the FOCEDA trust until January 31, 2016, continued to be deposited in a special account, and are being exclusively used for the carrying out of infrastructure and corrective maintenance works in the Company’s facilities within the concession area.

Subsequently, on January 29, 2016, the ENRE issued Resolution No. 2/16, which provides for the termination of the FOCEDA trust on January 31, 2016 and the establishment of a new system for the funds collected from the application of Resolution 347/12, which will no longer be deposited in the aforementioned trust.

Loans for consumption (Mutuums): Extraordinary investment plan

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

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

SE Resolution 32/15 and Recognition of the Cost Monitoring Mechanism (MMC)

By means of Resolution No. 32/15, the SE approved a temporary increase in the Company's income, on account of the RTI that will be carried out, effective as from February 1, 2015, in order for the Company to cover the expenses and afford the investments associated with the normal provision of the public service. This additional income arises from the monthly difference generated between the theoretical electricity rate schedule included in an appendix to such resolution and the current electricity rate schedule applied to each customer category. Additionally, this resolution provided that the collected PUREE-related funds were to be regarded as part of the Company's income. It is worth mentioning that such resolution caused no increases in the electricity rate schedule applied to customers.

As provided for in Appendix I of the Adjustment Agreement, in May and November 2015, the Company submitted to the ENRE two request for approval for the application of MMC Nos. 18 and 19, related to the November 2014-April 2015 and May 2015-October 2015 periods, respectively.

In this regard, the SE instructed the ENRE to incorporate in the calculation of the theoretical schedule the variations of both MMC for 7.20% and 9.05% as from May 1 and November 1, 2015, respectively.

Additionally, Resolution No. 32/15, continuing with the mechanism initiated by SE Resolution No. 250/13, and notes ENRE No. 112,606/14, SE No. 486/14, and SE No. 1136/14, authorized the Company to offset until January 31, 2015 the accumulated amounts under the MMC against the Company's debts under the PUREE.

Furthermore, this Resolution instructed CAMMESA to issue sale settlements for an amount equal to the surplus of the MMC receivable less the PUREE-related debt (including interest), and authorized CAMMESA to receive such sale settlements as partial payment of the Company's debt with CAMMESA under the loans for consumption (mutuums) agreements (SE note 4012/14), the debts for economic transactions with the MEM, and the amounts under the loans for consumption (mutuums) agreements (SE resolutions 10/14 and 65/14).

Evolution of the average electricity rate, Consumer Price Index (IPC), Wholesale Domestic Price Index (IPIM), Salary variation coefficient (CVS) and VAD

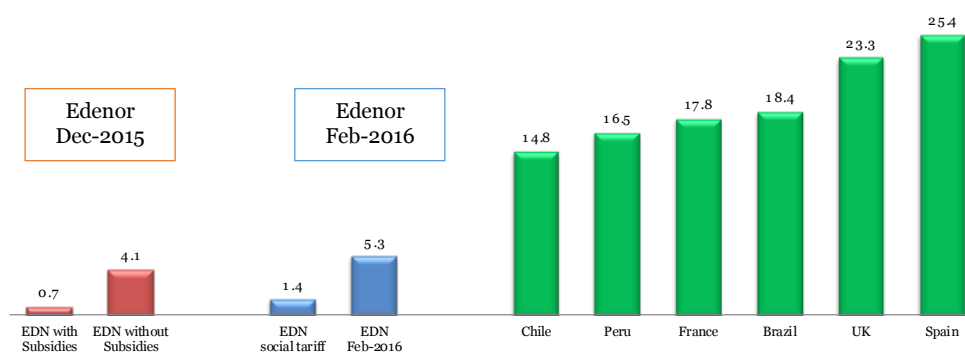
The variations recorded since 2003 in the evolution of the average electricity rate, the consumer and wholesale domestic price indexes, the coefficient of salary variation, and the VAD have been as follows:

	2003	2015	Variation
Average Electricity Rate (ARS/Mwh)	68.9	134.1	95%
VAD in Electricity Rate			64.0%
IPCNu (indec)	36.0	126.9	252%
IPIM (indec)	222.7	930.7	318%
CVS (indec)	20.3	244.0	1100%
USD	3.0	13.0	336%
Liter of gasoline	1.9	13.0	598%

Position of the electricity rate in the international market

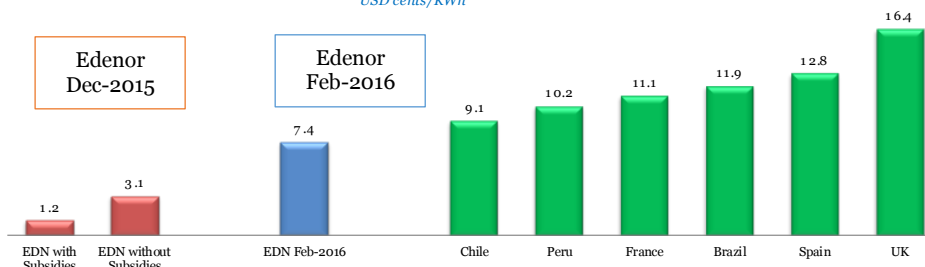
The following histograms show the Company's residential and industrial electricity rates for 2015, with and without government grants, and the new electricity rate schedule applicable as from February 1, 2016, as compared to the electricity rate currently in effect in other countries:

**Positioning of Edenor Residential Tariff
in the International Market**
Consumption: 275 kWh/month
USD cents/KWh



Edenor electricity rates as of December 2015
The values include all taxes.
Rate of exchange used USD 1 = ARS 13.04

**Positioning of Edenor Industrial Tariff
in the International Market**
Consumption: 1095 MWh/month Maximum Demand 2.5 MW in MV
USD cents/KWh



Edenor electricity rates as of December 2015
The values include all taxes.
Rate of exchange used USD 1 = ARS 13.04

Electricity rate categories

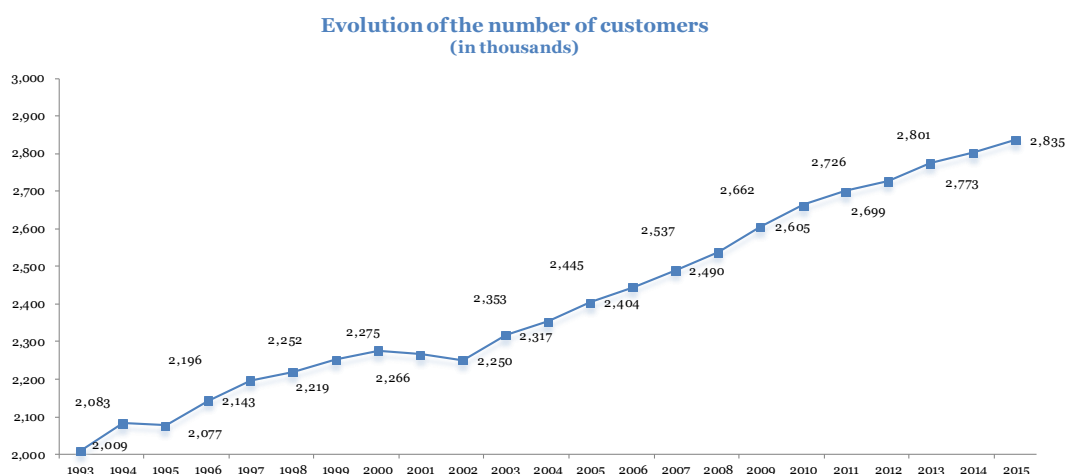
The current electricity rate categories are detailed below. It must be clarified that as of December 31, 2015, the electricity rate schedules applied included subsidized and unsubsidized rates (ENRE Resolution 628/08 with government grants, ENRE Resolution 324/08 for those exempt, and SE Resolution 1301/2011 without government grants):

- Residential Tariff (T1-R): for households whose demand does not exceed 10 kW.
- Small-demand Commercial Tariff: for commercial customers who do not fall within the scope of 1-Residential or 1-Public lighting tariffs.
- Medium-demand Commercial Tariff (T2): Includes medium-sized commercial customers whose maximum power demand is equal to or higher than 10 kW but lower than 50 kW.
- Industrial Tariff (T3): for industrial customers whose demand is greater than 50 kW.
- Low voltage (LV): voltage lower than or equal to 1 kV.
- Medium voltage (MV): voltage higher than 1 kV but lower than 66 kV.
- High voltage (HV): voltage equal to or higher than 66 kV.
- Wheeling System: includes large users who purchase their electricity directly from generators or broker companies through the MEM.
- Other: for public lighting (AP) and shantytown customers.

✓ Commercial management

Customers

The following graph shows the evolution of the number of customers as of December 31 of each year:



Customer service

The Company tends to its 2.8 million customers through 27 commercial offices distributed in 21 districts, including the Federal Capital and the Call Centers (CAT) located in the Federal Capital (CABA) and the Province of Tucumán. Additionally, it takes care of the requests made via Web and through the Edenor 2.0 application for smart devices.

With the aim of detecting customer needs and in order to measure their degree of satisfaction with the service, the Company conducts different surveys:

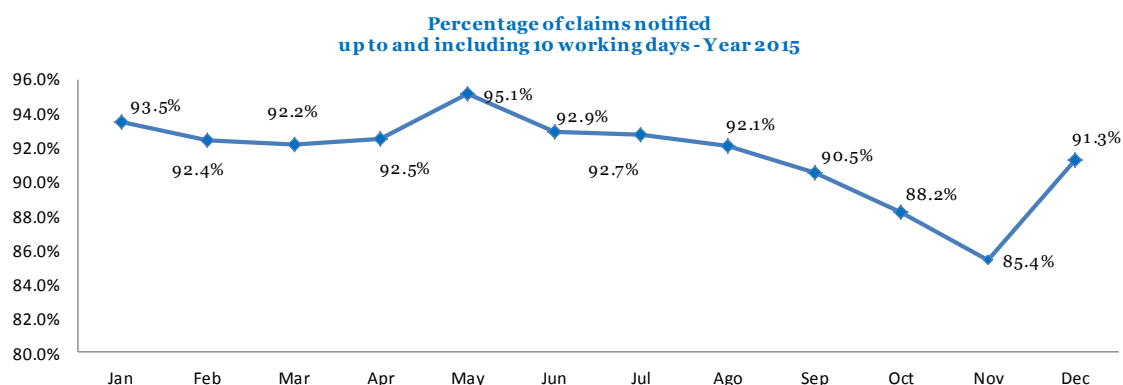
- ✓ of general satisfaction, to measure customer satisfaction of the different tariff categories and technical and commercial attributes;
- ✓ of processes, to know the satisfaction of customers who get in contact with the Company in different processes, such as new connections, commercial and technical claims, assistance received in commercial offices and call centers, attention to large customers, and delinquency;
- ✓ CIER regional survey, to compare different attributes of the service provided to residential customers of distribution companies from different countries of South and Central America;
- ✓ and finally, the Mystery Shopper survey, to know the satisfaction index with the assistance received in commercial offices.

Indicators used to measure the commercial management

Some of the indicators used to measure our commercial management and the evolution thereof in the last years are disclosed hereunder.

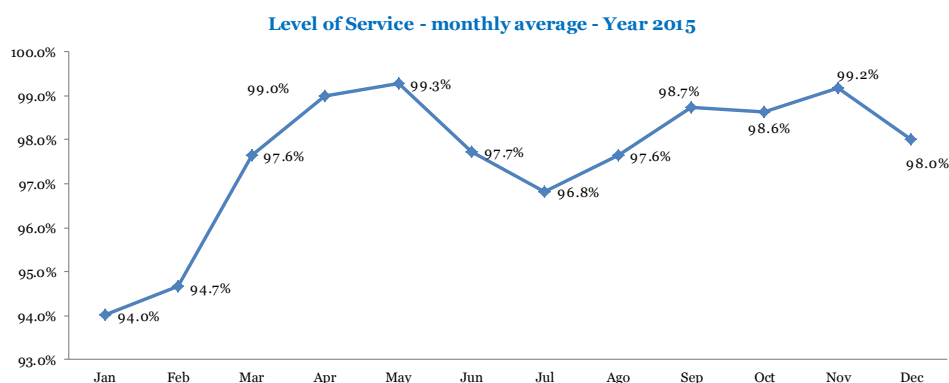
✓ *Claims – Number of Claims for which a solution was provided within 10 working days*

One of the tasks of the customer service function is to provide a solution to claims made by customers. Although the regulation establishes a term of 15 working days for the Company to provide a solution and notify the customer, the Company has set 10 working days as its expected standard.



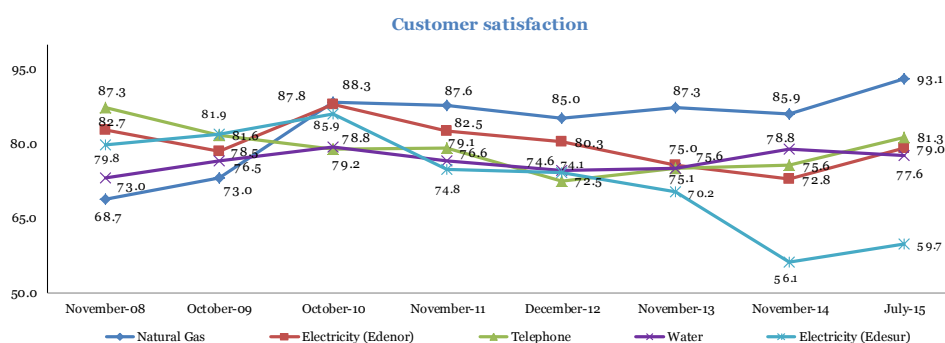
✓ *Call Center – Level of Service*

The indicator is calculated as the number of calls answered before 30 seconds in respect of the number of calls received.



Main milestones achieved

In 2015, T1R (residential segment) customer satisfaction stood at 79%, with the electricity supply service ranking third compared to other public services, which represents a 4% improvement as compared to 2014:



The survey on the quality of the customer service provided by the commercial offices was conducted for the second consecutive year using the mystery shopping technique, with a result of 9 (9 satisfactory replies out of 10 persons interviewed), as opposed to the 8.8 result obtained in 2014. This represents a very good result and a slight improvement compared to the previous year. It must be taken into account that this index is exempt from the factors that influence the consumers' replies on their perception of satisfaction, and that it measures 4 aspects of customer attention: general aspects, infrastructure, customer service and assistance/advice provided.

New technologies

With regard to collections, the modality of payment with credit cards was also made available to customers with delinquent balances.

With regard to meters, 959 self-managed meters were installed in Moreno and Merlo districts.

Large customers

In 2015, the volume of energy sold to the large demand segment increased 5.19%, due mainly to the 7.28% increase in the energy sold to T3 customers and the 0.3% decrease in the energy sold through the wheeling system. In 2015, 76 T3 customers were incorporated, whereas the number of major large users remained unchanged. The volume of energy sold to large users accounts for 18.7% of the Company's total sales.

In 2015, services sold to Large Customers amounted to ARS 9.3 million in the following categories:

- ✓ Projects and works: ARS 5.5 million
- ✓ Maintenance: ARS 3.1 million
- ✓ Counselling and other services: ARS 0.7 million

According to measurements performed, the satisfaction of Large Customers grew from a positive result of 67.2% in 2014 to 69% in 2015.

Reading, billing and collecting

It is the group of activities aimed at ensuring the correct and complete performance of the following tasks: reading of energy and power consumption recorded in customer meters, its subsequent processing and determination of values based on the applicable rate schedules, the billing thereof, printing and, finally, the delivery of the bill to the customer.

In the year 16,591,417 two-month period meter readings and 506,217 monthly meter readings are made through reading devices called Portable Reading Terminals (T). In the case of electronic meters, the reading is made through waves that make it possible to not only read the consumption information but also have access to other information about the conditions of the meter, such as whether it has stopped functioning or been tampered.

The detail of annual readings broken down by electricity rate category is as follows:

Annual readings per electricity rate category		
Two-month period T1 Res	14,643,097	85.64%
Two-month period T1 Ger	1,948,320	11.40%
Monthly T2	410,802	2.40%
Monthly T3	81,372	0.48%
Monthly T3 Wheeling syst	8,790	0.05%
Monthly Shantytowns	4,737	0.03%
Monthly T1 PL	289	0.00%
Monthly T2 Wheeling syst	227	0.00%
Total	17,097,634	100.00%

Subsequent to year-end, and with the aim of providing T1 customers with timely information on their consumption and facilitating the payment thereof, by means of Resolutions Nos. 6 and 7/2016 of the MEyM and No. 1/2016 of the ENRE, as part of the measures adopted to restore the electricity sector, a monthly billing system of the consumption recorded in a two-month period was implemented, dividing the two-month period consumption into two similar monthly periods.

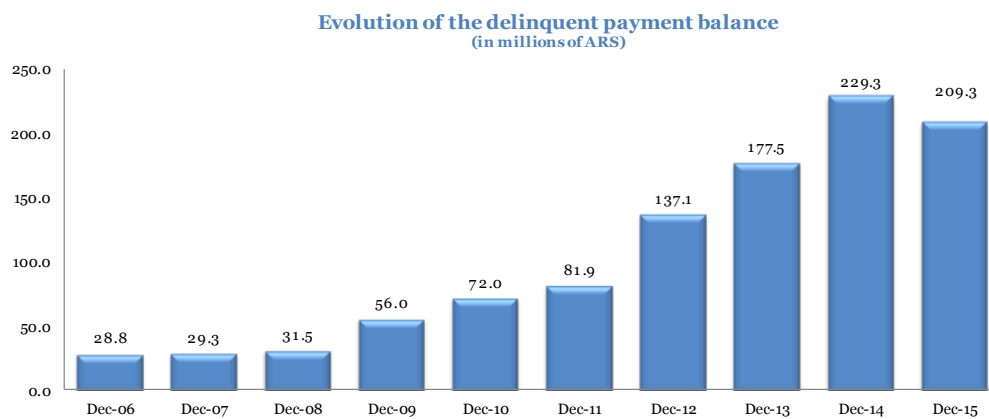
Delinquent payments

In 2015, the delinquent payment balance decreased from ARS 229.3 million to ARS 209.3 million as of December 31, 2015, thus reverting the growing trend of the last years. By the end of 2014, the Court lifted the precautionary measure that prevented the Company from taking actions to rectify delinquent customer situations and suspending the electricity supply to customers with consumption levels above 1000 kW/h. Thanks to this action, it was possible to decrease the operating balance.

Throughout the year, the integral plan to reduce the delinquency payment balance continued, with the performance of diverse actions, to wit:

- ✓ Special notices prompting delinquent customers to pay.
- ✓ Personalized calls to negotiate payment and prompt delinquent customers to pay.
- ✓ Suspension, verification of the suspension, disconnection and reconnection of the electricity supply service.
- ✓ Management and follow-up plans on customers with the highest delinquent accounts.
- ✓ Actions aimed at inquiring about the delinquent customers' economic and social situation in order to provide them with different payment plans to regularize their situation.
- ✓ Personalized in situ customer management with university students.
- ✓ More flexible payment plans.
- ✓ Increased management of inactive accounts

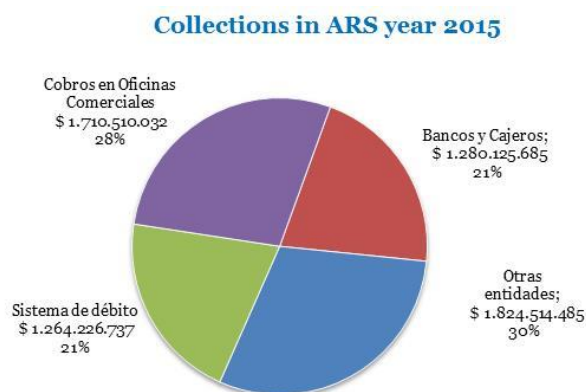
The following graph shows the evolution of the delinquent payment balance in 2015 as compared to previous years:



Collection management

The collection management involves receiving, controlling and efficiently processing all the information on payments made by our customers through the Collection Agents hired by the Company to provide that service.

The detail of collections in Argentine pesos made by the Company in 2015 through the different payment options are as follow:



✓ Technical management

Edenor's network

The system through which the Company supplies electricity is comprised of 75 HV/HV, HV/HV/MV and HV/MV transformer substations, which represents 15,839 MVA of installed power and 1,438 kilometers of 220 kV, 132 kV and 27.5 kV high-voltage networks. The MV/LV distribution system is comprised of 16,834 MV/LV transformers, which represents 6,937 MVA of installed power, 10,216 kilometers of 33 and 13.2 kV medium-voltage lines, and 26,248 kilometers of 380 V low-voltage lines.

The table below shows the most significant data related to the transmission and distribution system for the last three years:

	As of December 31,		
	2013	2014	2015
Kilometers of transmission lines			
High voltage	1,396	1,410	1,438
Medium voltage	9,738	9,978	10,216
Low voltage	25,806	26,030	26,248
Total	36,940	37,418	37,902
Installed Power (MVA)			
High voltage / High voltage	7,908	7,828	8,128
High voltage / Medium voltage	6,991	7,131	7,711
Medium voltage / Low voltage and Medium voltage / Medium voltage	6,505	6,897	7,168
Total	21,404	21,856	23,007

Electricity is conveyed from points of interconnection with the Argentine Interconnection System (SADI), 500 kV-220 kV Rodríguez Substation, 220 kV Ezeiza Substation, and from the local Puerto and Costanera power plants. In turn, the transmission network links these nodes with Casanova, Colegiales, Malaver, Matheu, Morón, Rodríguez, Talar and Zappalorto 220 kV head substations, and with Matanza, Ramos Mejía, Agronomía, Puerto Nuevo, Edison and Malvinas 132 kV head substations.

The transmission and distribution system, together with Edesur S.A. and Edelap S.A.'s systems, form the Buenos Aires Metropolitan Area system that is operated by SACME, a company jointly controlled by Edenor S.A. and Edesur S.A. SACME is responsible for the management of the high-voltage regional distribution in the Buenos Aires metropolitan area, coordinating, controlling and supervising the operation of the generation, transmission and distribution network in the CABA and the Buenos Aires metropolitan area, including coordination with the SADI in the Company and Edesur's concession areas.

The Company distributes energy from the high/medium voltage substations through the primary 13.2kV and 33kV system to a secondary 380/220 V low-voltage system, distributing the electricity to final users with varied voltage levels depending on their requirements. In exceptional cases, certain customers are supplied with power at higher voltages

2015 was a particularly promising year in terms of investments in the high-voltage network structure, both in relation to works in substations and in electrical transmission lines, reaching an all-time record in the start-up of network expansions. With regard to the installation of transformers, the Company reached its maximum levels, representing an increase in the installed transforming power at 132/13.2 kV of more than 1,000 MVA.

Investments

Investments made during 2015 amounted to ARS 2.5 billion. As expressly instructed by the Company Board of Directors, investments were given priority over other disbursements in order to maintain the provision of the public service under safe conditions.

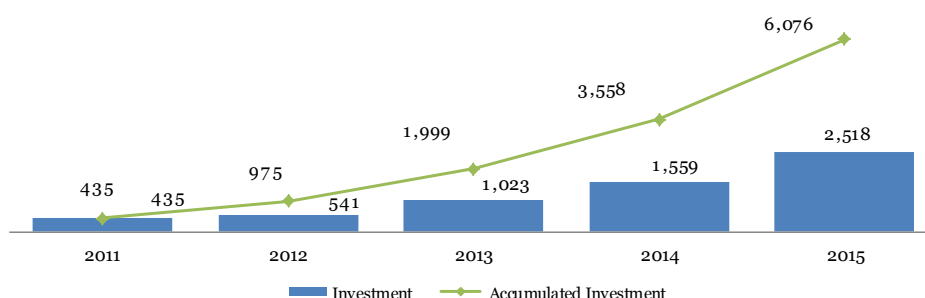
It is worth mentioning that the level of investments continued recovering, even though the availability of resources throughout the year continued to be limited as a consequence of the tariff lag and the constant increase in operating costs.

In order to meet the growing demand, the majority of the investments were aimed at increasing facility structures, reinforcing existing facilities, and connecting new electric power supplies.

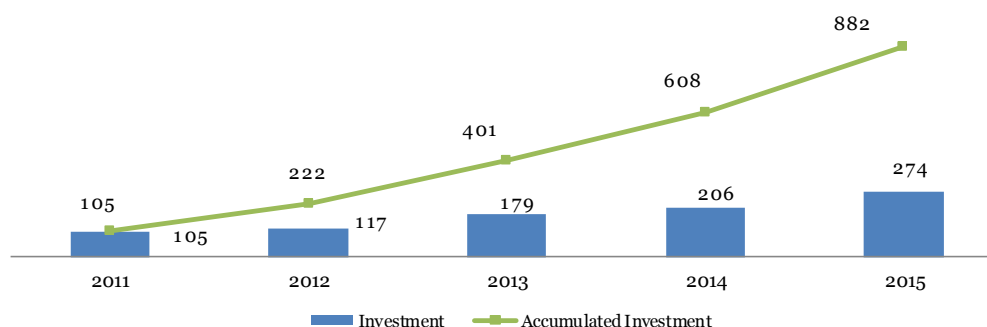
The Company continued to make every effort to maintain fraud and delinquency indicators, service and product quality levels, environment protection and public safety at efficient levels.

In comparative terms, there has been a significant increase in the level of investments in the last five years due to both the application of funds managed by the FOCEDE trust, and the extraordinary financing granted by the Federal Government. This evolution can be observed in the following graphs:

Investments - 2011-2015 period
(in millions of ARS)



Investments - 2011-2015 period (in millions of USD)



The following table shows the amounts of the investments made in 2015, classified according to activity:

Concept	Investment	%
LV Network structure	691.5	27.5%
HV Network structure	553.4	22.0%
MV Network structure	275.0	10.9%
Network improvements	271.0	10.8%
Buildings, software, furniture, tools and equipment	674.9	26.8%
Specific substitute materials	52.4	2.1%
Total in millions of ARS	2,518.2	100.0%

The main works performed during 2015 were as follow:

Transmission Structure

- ✓ Expansion of the 220/132 kV Rodríguez substation, increasing its capacity in 600 MVA; commissioning of a 300 MVA - 220/132 kV transformer.
- ✓ Completion of the new Rodríguez substation-Malvinas substation and Rodríguez substation- Pilar substation 132 kV transmission lines.
- ✓ Commencement of expansion works of the 500/220 kV Rodríguez substation, increasing its capacity in 800 MVA.
- ✓ Renovation of some oil filled (OF) cable sections (opposite the metropolitan airport) of the Nuevo Puerto substation-Vicente López substation-Libertador substation 132 kV transmission lines; commissioning of the Nuevo Puerto substation-Vicente López substation renovated section.
- ✓ Commencement of the new Suarez substation-Villa Adelina substation 132 kV transmission line.
- ✓ Commencement of the new Colegiales substation-future 132 kV Urquiza substation-Agronomía substation 132 kV transmission line.
- ✓ Commencement of renovation works of an OF cable section of the Morón substation-Castelar substation 132 kV transmission line.
- ✓ Commencement of new switching fields of Morón substation-Luján substation (TRANSBA) 132 kV transmission lines in Malvinas substation

Sub-transmission Structure

- ✓ Completion of expansion works of the 132/13.2 kV Catonas substation, increasing its capacity in 80 MVA.
- ✓ Completion of expansion works of the 132/13.2 kV Tortuguitas substation, increasing its capacity in 80 MVA.
- ✓ Completion of the new 132/13.2 kV San Alberto substation – with a capacity of 80 MVA.
- ✓ Completion of the new 132/13.2 kV Manzone substation – with a capacity of 80 MVA.
- ✓ Completion of expansion works of the 132/13.2 kV Colegiales substation, increasing its capacity in 40 MVA.
- ✓ Completion of expansion works of the 132/13.2 kV Edison substation, increasing its capacity in 40 MVA.
- ✓ Completion, replacement and renovation of 132/13.2/20 kV transformers to feed Mitre and Sarmiento railway lines; 2 in Ramos Mejía substation and 1 in Edison substation.
- ✓ Completion of expansion works of the 132/13.2 kV Matheu substation, increasing its capacity in 40 MVA.
- ✓ Expansion and renovation of the medium-voltage switchboard in Morón substation; replacement of a 132/13.2 kV transformer of 40 MVA for another of 80 MVA.
- ✓ Completion of expansion works of the 132/13.2 kV Ciudadela substation, increasing its capacity in 80 MVA.
- ✓ Completion of expansion works of the 132/13.2 kV El Pino substation, increasing its capacity in 40 MVA.
- ✓ Commencement of expansion works of the 132/13.2 kV Tapiales substation, increasing its capacity in 80 MVA; replacement of 40 MVA transformers for 80 MVA transformers.
- ✓ Commencement of expansion works of the 132/13.2 kV Derqui substation, increasing its capacity in 80 MVA; replacement of 40 MVA transformers for 80 MVA transformers.
- ✓ Commencement of expansion works of the 132/13.2 kV Suarez substation, increasing its capacity in 80 MVA; replacement of a 40 MVA transformer for another of 80 MVA.
- ✓ Commencement of expansion works of the 132/13.2 kV Marcos Paz substation, increasing its capacity in 40 MVA; replacement of 20 MVA transformers for 40 MVA transformers.
- ✓ Commencement of construction works of the new 33/13.2 kV Corralón substation with a capacity of 32 MVA.
- ✓ Commencement of renovation and expansion works of the 132/13.2 kV Urquiza substation with a capacity of 120 MVA.
- ✓ Commencement of construction works of the new 132/33/13.2 kV Gaona substation with a capacity of 160 MVA.
- ✓ Commencement of construction works of the new 132/13.2 kV Olivos substation with a capacity of 160 MVA.
- ✓ Commencement of construction works of the new 132/13.2 kV Aguas substation with a capacity of 100 MVA.

Distribution Structure

- ✓ 63 new feeders in new and existing substations: San Justo, Luzuriaga, San Alberto, Agronomía, Melo, Munro, Nordelta, Catonas, Malaver, Ciudadela, Rotonda, Maschwitz, Benavidez, Bancalari, Matheu, Tecnópolis, Tortuguitas, Manzone, San Fernando, Suarez, Malvinas, Cazador step-down transformer center, Escobar step-down transformer center, Migueletes, Altos and Marcos Paz.
- ✓ Closures between medium-voltage feeders of various substations, 329 new medium and low-voltage transformer centers and 390 power increases in existing centers, which increased installed power in 242 MVA.

Network Improvements

The improvements made comprised all voltage levels. The most significant ones are detailed below:

- ✓ High-voltage network: replacement of 132 kV and 220 kV circuit breakers. Adjustment of medium-voltage switchboard protections in several substations and replacement of 132 kV cable protections.
- ✓ Medium-voltage network: replacement of medium-voltage circuit breakers in substations and installation of internal arc protections in medium-voltage switchboards. Significant replacement of old technology underground network, and replacement of medium and low-voltage transformers and pieces of equipment in medium-voltage centers.
- ✓ Low-voltage network: replacement of underground and overhead network. Reinforcement of network with product quality problems.

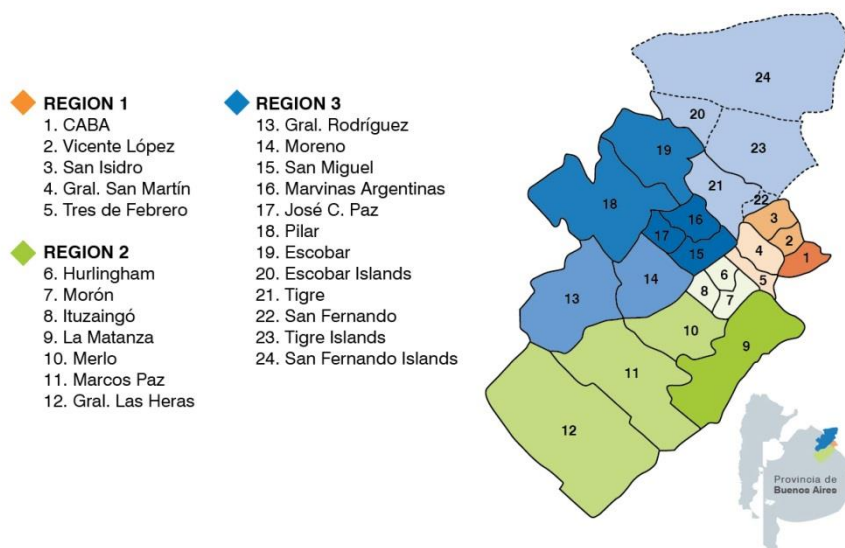
✓ Distribution technical management

New distribution structure

As from 2015, with the objective of adapting the service operation to the new conditions of the management of resources, new work regions were formed, distributed in accordance with the analysis of different relevant factors, such as: surface, number of customers, LV and MV networks and communication channels, managed resources, etc.

Therefore, the distribution area was comprised of 3 Regional Departments, one Operative Programming Department and the Control Center. The execution and follow-up of the works in the distribution networks are among the main responsibilities of the Regional Departments. The function of the Operative Programming Department is to program the works in high, medium and low-voltage networks that are afterwards managed by the Regions and the Transmission area.

Each Regional Department is comprised of the following districts:



Investment actions

In order to improve service and product quality, comply with the Electrical safety in public spaces plan, expand the MV and LV networks, satisfy the requests of new supplies and accompany the growth in demand, several investment actions were carried out, among which the following can be mentioned:

Region I

- ✓ Connection of 459 new supplies.
- ✓ Renovation of 4,700 LV poles.
- ✓ Renovation of 17 km of MV cable.
- ✓ In order to prevent flood damage, waterproofing works were carried out in 8 underground transformer centers and cable occlusion and sealing works were performed in another 74 centers.
- ✓ In compliance with both the Regulations and the Electrical Safety in Public Spaces Plan, 41 transformer centers located inside buildings were improved through the installation of anti-fire equipment.
- ✓ Draft of 3,078 works for new supplies, structure and improvement of medium and low-voltage networks, including: 501 transformer centers and 130 km of underground medium-voltage cable.

Region II

- ✓ In the framework of the two stages of the Plan for the Replacement of Poles, 14,832 poles were replaced.
- ✓ Incorporation of 4 new medium-voltage outputs in San Alberto substation, 3 new outputs in Paulina substation and 1 new output in Luzuriaga substation to improve the quality of the service.
- ✓ A total of 159 transformer centers were reformed.
- ✓ Fulfillment of 11 projects aimed at the replacement of cables with oil-impregnated insulation paper by dry materials.
- ✓ Incorporation of 200 new transformer centers, increasing the installed power in 70,880 kVA in order to solve Service and Product Quality problems.
- ✓ The installed power in 176 existing transformer centers was increased in 32,704 kVA.
- ✓ Renovation of a 154.55 km-long section of the low-voltage network that was defective or in the wrong section, in order to solve Service and Product Quality problems.
- ✓ Laying of 65.17 km of underground medium-voltage cable.

Region III

- ✓ Start-up of the Manzone substation.
- ✓ Enabling of 3 new medium-voltage outputs of Tortuguitas substation.
- ✓ Enabling of 3 new medium-voltage outputs of Catonas substation.
- ✓ Enabling of the high-voltage line that links Malvinas and Pilar substations, going through the new Mazone substation.
- ✓ Construction of 112 medium and low-voltage transformer centers. Increase of the voltage module in another 154 transformer centers.
- ✓ Laying of 4.8 km of overhead and 16 km of underground medium-voltage power lines. Construction of 125 km of overhead and 32 km of underground low-voltage power lines.
- ✓ Assembly and installation of 106 new transformer centers in San Fernando, Tigre and Escobar districts.

Preventive and corrective maintenance

Actions	Concept			2015
MV-LV Preventive Maintenance	Inspections	Ocular	Platforms (units)	6,972
			Conductors and poles (km)	40,088
			Hide corner box, wall/mailbox type compartment, connection switches (units)	5,713
		Thermographic	Conductors	62
			Terminals, Platforms and chambers (units)	1,008
	Adaptations	Poles, protection / maneuver equipment (units)		15,533
		Replacement of conductors (mts)		18,463
		Tree pruning (units)		182,635
MV-LV Corrective Maintenance	Claims in overhead and underground networks (units)			235,476
	Replacement of poles (units)			26,285
	Connections and repair of terminals in underground networks (units)			4,246
	Replacement of protection and maneuver equipment in chambers and platforms (units)			3,523
	Tree pruning (units)			3,463
	Replacement of transformers (units)			717
Energy Recovery	Inspections of T1, T2 and T3 (units)			76,130
Investments	Projects (units)			8,700

Remote control and remote supervision

The remote control of the medium-voltage distribution network continued to consolidate, with 1,450 remote supervision points and 140 remote control points in operation. Moreover, the works for the incorporation of 255 additional remote control points are currently underway with different degrees of progress.

Research and development

The Company actively participates in international congresses related to its business, where it makes presentations on improvements and new developments implemented in the Company and becomes acquainted with recent technological developments. Among such congresses, the following can be mentioned:

- ✓ CIRED – International Electricity Conference and Exhibition: the Company presented two technical works: “Condition Assessment of Power Transformers – A Practical Methodology Approach” and “Waterproofing of Underground Transformer Centers”.
- ✓ CITTES – Live Working and Safety in Electrical Power Transmission and Distribution and De-Energized Maintenance in High Voltage Installations: in simultaneous sessions, 69 technical works were presented and 28 field works on energized lines were developed in General Rodríguez Transformer Station, owned by the Company and Transener S.A. These works were presented by 15 Argentine companies and a binational Argentine-Uruguayan company.
- ✓ First Congress on Research and Technology Transfer in Electrical Engineering. National Technological University - General Pacheco Regional School: Its objective was to invite the research groups in Electrical Engineering from the different Regional Schools of the National Technological University and companies of the electricity sector to create a forum for discussion and exchange of knowledge and experience, and promote the culture of research, almost absent until the creation of the National Commission for University Evaluation and Accreditation (CONEAU). Based on this premise, 45 technical works of an excellent academic level, mostly related to applied research, were presented

in the Congress. Several of these works were developed jointly with companies of the electricity sector.

✓ Supply and logistics management

In 2015, with the aim of carrying out the investments to expand the capacity of the high-voltage electricity distribution network throughout 2016, the Company purchased relevant supplies and awarded high-voltage works, among which the following can be mentioned:

Supplies

- 300 MVA – 220/132/13.2 kV three-phase transformer.
- Three 80 MVA – 132/13.86 kV three-phase transformers.
- Ten 40 MVA – 132/13.86 kV three-phase transformers.
- 55 kilometers of 220 kV 1x1200 mm² aluminum conductor cable.
- 50 kilometers of 132 kV 1x1200 mm² aluminum conductor cable.

Works

- Civil construction of the new 132/13.2 kV Olivos substation, which will be located in the Coastal Boulevard of Vicente López District, Province of Buenos Aires.
- Civil construction, electromechanical assembly and commissioning of the new 132/13.2 kV Aguas substation, which will be located between La Pampa St., Figueroa Alcorta Ave. and Leopoldo Lugones Ave. of the City of Buenos Aires. Construction and commissioning of three 132kV - 40MVA transformer fields, two cable output fields and one building, which will contain the medium-voltage switchboards, the related command switchboards and the auxiliary service switchboards.

In this regard, it is worth pointing out that thanks to the successful purchasing management, the prices obtained for some of the supplies acquired were up to 5% lower than their market values of 2013, year when the Company purchased similar pieces of equipment.

Additionally, it must be pointed out that in 2015 the amount of supplies bought reached its maximum level due to the increasing number of investment plans and maintenance works.

Decentralized logistics

Due the incorporation of contractor firms' personnel into the Company's payroll and the need for supplies to be nearer to the operation to continue improving the logistics network, in 2015 two new Distribution Centers (González Catán and Moreno) were incorporated, in addition to the already existing Loma Hermosa Distribution Center, to deal with the operations of Regions II¹ and III².

Vehicles

The Company doubled its fleet of commercial vehicles, basically cherry pickers and utility vehicles for the transportation of poles and cables, from 678 vehicles in 2012 to 1,203 in 2015, thus accompanying the increase in manpower of the last years in the different operating areas and regions.

Properties

Continuing with the adapting of the administrative and commercial buildings in order to satisfy the need for additional space to cope with personnel increase, the Company executed the investment plan earmarked for the carrying out of works unrelated to the electricity distribution business, among which the new Moreno Sector work, and the improvements made to the Guzman and Pilar buildings, the Pacheco sector and the Escobar commercial office, which totaled an investment of ARS 34.8 million, are worth mentioning.

¹ Includes Hurlingham, Morón, Ituzaingó, La Matanza, Merlo, Marcos Paz and General Las Heras districts.

² Includes General Rodríguez, Moreno, San Miguel, Malvinas Argentinas, José C. Paz, Pilar, Escobar, Escobar Islands, Tigre, San Fernando, Tigre Islands and San Fernando Islands

✓ Quality management

Service quality

In spite of the constant increase in operating costs and the delay in obtaining tariff increases in the last years, it has been possible to maintain an acceptable service quality level as a result of investments made and maintenance works performed in the network. The average interruption frequency and the total interruption duration of the last six years are detailed below:

✓ Average interruption frequency per kVA of distribution transformers (FMIK)

FMIK (Number of times)	2010	2011	2012	2013	2014	2015
HV External	0.02	0.01	0.01	0.01	0.15	-
HV Internal	0.30	0.28	0.79	0.46	0.50	0.70
MV Internal	4.79	4.44	7.14	6.66	8.19	7.50
Total Internal Network	5.09	4.72	7.93	7.13	8.69	8.23
Affecting the Customer	5.12	4.73	7.94	7.14	8.84	8.23

✓ Total interruption duration per kVA of distribution transformers (TTIK)

TTIK (hours)	2010	2011	2012	2013	2014	2015
HV External	0.06	0.02	0.07	0.07	0.03	-
HV Internal	0.18	0.14	0.71	0.18	0.47	0.50
MV Internal	10.36	11.55	20.26	17.95	23.73	19.47
Total Internal Network	10.54	11.69	20.97	18.13	24.20	19.97
Affecting the Customer	10.62	11.71	21.04	18.20	24.23	19.97

✓ Average interruption frequency per customer:

SAIFI (Number of times)	2010	2011	2012	2013	2014	2015
HV External	0.01	0.01	-	0.01	0.15	-
HV Internal	0.25	0.26	0.73	0.51	0.47	0.67
MV Internal	4.81	4.29	6.86	6.67	8.26	7.71
LV Internal	1.34	1.01	1.02	0.81	0.67	0.50
Total Internal Network	6.40	5.56	8.61	7.99	9.40	8.88
Affecting the Customer	6.41	5.57	8.61	8.00	9.55	8.88

✓ Average interruption duration per customer:

SAIDI (hours)	2010	2011	2012	2013	2014	2015
HV External	0.03	0.01	0.02	0.03	0.03	-
HV Internal	0.14	0.14	0.68	0.19	0.37	0.50
MV Internal	9.80	11.01	19.60	17.50	23.13	19.27
LV Internal	7.10	8.54	11.25	9.99	9.50	7.42
Total Internal Network	17.04	19.97	31.53	27.68	33.00	27.19
Affecting the Customer	17.07	19.98	31.55	27.71	33.03	27.19

Product quality

With regard to the Quality of the Technical Product, whose control is done by verifying voltage levels and disturbances at supply points identified due to customer claims, in 2015 the ENRE fined the Company in the amount of ARS 85.8 million.

Regarding measurements at supply points reported in customer claims, the ENRE requires that all such measurements have a duration of seven days, recording on a daily basis via web the claims made.

With reference to disturbance and voltage level measurement campaigns provided for by the ENRE, in 2015 the required number of measurements was made and all the recording equipment was calibrated and certified.

Additionally, and in accordance with the Company's policy concerning the updating and replacement of disturbance control equipment, in 2015 five harmonic disturbance control pieces of equipment were acquired. It is expected that disturbance control recorders will continue to be bought to replace the oldest ones. The electric parameters controlled by the disturbance recording equipment are analyzed focusing on the early detection of possible deviations.

✓ IT and telecommunications management

In 2015, the Company made significant improvements to the technological platform, thus consolidating its leading position in this segment.

Technical project

It is one of the most ambitious and defying technological projects in the Company's history. Its objective is to optimize the operative management through the implementation of software for the integral management of both the assets comprising our facilities and the workforce. It will allow us to have a better knowledge of our facilities and carry out a better planning of maintenance works that will result in a sustained reduction of the rate of failures.

Additionally, it will make it possible to increase effectiveness in the management of emerging tasks, usual in the technical and commercial operations, thanks to the improvements on programing, task performance, work planning and power cut reduction

In this framework, in August, 2015, the first stage was implemented, which comprises the workforce management (WOM), for teams performing technical tasks. The project will continue during 2016 with the implementation of the functionality for the commercial teams and the system for asset maintenance.

Applications

With reference to our applications, in 2015 we continued with the continuous improvement processes, focusing on the following:

Edenor 2.0:

The second stage of Edenor 2.0 App for mobile devices and the Web was implemented. Among its functionalities, the following are worth mentioning:

- ✓ Making consultations of historical consumption, power and bills
- ✓ Sending notices of planned and forced power outages
- ✓ Carrying out of more than 70% of commercial procedures/formalities.

Proactive communication actions:

Proactive actions were developed to keep customers informed through telephone calls campaigns:

- ✓ Notices of forced and planned HV/MV documents
- ✓ LV forced power outages
- ✓ Actions to rectify delinquent customer situations

Electric power network operation management and recording system (Nexus):

Activities were carried out for the development of new functionalities and performance improvement of both the connection with the Technical Project, and the Service and Product Quality modules.

Commercial system (CC&B):

With regard to our commercial system, several improvements have been made to the process, among which the following are worth mentioning:

- ✓ Link with the Edenor 2.0 platform in order for our customers to carry out procedures/formalities
- ✓ Incorporation of new tariffs and charges for the billing of self-managed meters
- ✓ Adjustment of the functionality to allow for the system connection with the new applications of the Technical Project
- ✓ Adjustment of the micro-reading module. Issuance of the electronic bill.

Human Resources Systems:

The system for the management of employee attendance, Smartime, was implemented. The system included the Cronos Control tool, which records our employees' attendance using fingerprint authentication. Phase I included the salary and wage preparation interface with the RHPRO personnel management system, replacing the manual entry of information, whereas Phase II, to be implemented in the first quarter of 2016, incorporates derivation and/or control workflows.

With regard to personnel management systems, different adjustments and improvements were made, such as:

- ✓ Implementation of portals for the updating of employee technical and functional data
- ✓ Improvements to the accident management module
- ✓ Recording of disability and restrictions
- ✓ Adjustment of the training module

Quality Management System (SUMA):

Progress was made with the configuration of the new Quality Management System, which will replace the Loyal QMS system. The necessary adjustments were made in order to adapt its functioning to the Company's operations, basically with regard to ISO 9001-2015, ISO 14000, and OSHAS 18001 standards. It is estimated that the system will be implemented in the first quarter of 2016.

Administration, Finance, Control, Management and Supply System (SAP):

The following improvements have been made:

- ✓ Implementation of the "shopping cart" functionality, which allows for the management of minor purchases from a web portal, and of the so called "double envelope" whereby the suppliers submit their technical and commercial offers separately.
- ✓ Improvements to the Supplier portal, in which queries on the delivery of merchandise and services, bills and payments were included.
- ✓ New outflow cycle, which included the following processes: urgent purchases, decentralized purchases, decentralized contracts, special contracts, internal payments (advanced funds and fixed funds), purchasing card.
- ✓ Implementation of the supply requirement planning in order to stock distribution centers from the central warehouse.
- ✓ Implementation of the electronic bill issuance module.

Business intelligence (Qlikview):

In this regard, several information reports were developed, among which the following can be mentioned:

- ✓ Out-of-service transformer centers statistics
- ✓ Collectability rate assessment
- ✓ Payroll development
- ✓ Large customers' consumption curves
- ✓ Bill management
- ✓ Applications control and follow-up
- ✓ Commercial processes follow-up
- ✓ Sustainable development contracts control

Telecommunications

Throughout 2015, the Company deployed a new corporate and operative IP telephony solution, which consisted of the migration of 2,100 obsolete technology phones. This new platform allows for the implementation of advanced collaboration tools and the improvement of all the users' mobility, integrating the fixed and mobile telephony to their desks. Additionally, new locations were added to the corporate Wi-Fi system, integrating them to the IP telephony.

Regarding our customers, a new system of calls was implemented to inform them about the due dates of their bills and the time at which the Company expects to restore the service. Furthermore, the implementation of the new video surveillance and access control system with HD dome security cameras based on cutting-edge technology, continued.

The Company's infrastructure, both in substations and certain buildings was adapted, performing for such purpose different works, such as:

- ✓ Installation and start-up of the telecommunications system
- ✓ Structured wiring for new workstations and 550 existing ones
- ✓ Fiber optic installation, allowing the following substations to connect at high speed: Malaver, Colegiales, Agronomía and the Tronador and Estomba buildings; commencement of fiber optic cable laying in Urquiza, Vidal and Pilar substations and the Pilar-Moreno sector
- ✓ Installation of 56 routers of the corporate network, making it possible to improve the performance of installed applications.

Technology and operations

With regard to technology and operations, in 2015 progress was made on several fronts, bringing about substantial improvement in these matters. Some of the milestones were:

- ✓ New information systems and operations help desk format as from January 2015, including the implementation of good practices to improve internal customer service and measure supplier performance.
- ✓ Implementation of the corporate printing system, which comprised the replacement of 400 pieces of equipment by state-of-the-art printers, including thermal wax-transfer models that reduce by 90% the generation of IT waste.
- ✓ Unification of the corporate information protection platform, minimizing the time of data protection and recovery.
- ✓ Restructuring of the user field support service, defining new roles and extending both the geographical scope and service hours.
- ✓ Training of resources, launching of initiatives and carrying out of proofs of concept related to “Cloud Computing”, thus beginning to use one of the most disruptive technologies of the IT market.

✓ Human resources management

Collective bargaining agreements

The Company's relations with its employees are reflected in the collective bargaining agreements entered into with the *Sindicato de Luz y Fuerza* (Electric Light and Power Labor Union) (general employees) and the *Asociación del Personal Superior* (Association of Supervisory Personnel) (middle management).

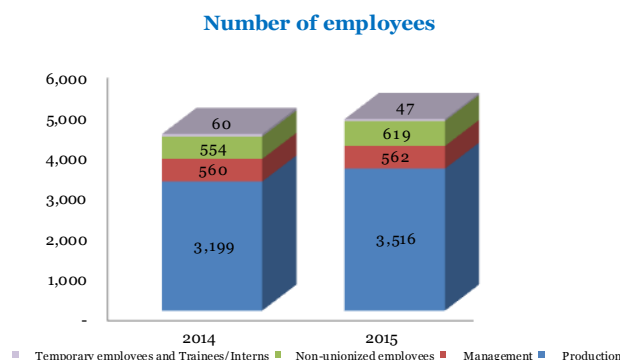
The principles that govern labor relations in the Company are consolidated in these collective bargaining agreements achieving an equitably reconciliation of each of the parties' interests, and ratifying the objective of a sustainable provision of the essential service assumed with the community.

Although the terms of the Collective Bargaining Agreements (CCTs) approved by the competent authorities have expired, the working conditions arising therefrom continue to apply until the signing of a new agreement by virtue of the provisions of Section 12 of Law No. 14,250, pursuant to which a collective bargaining agreement shall remain valid after its expiry if it is not renewed.

Furthermore, the Company reaffirms its commitment to defending human rights by strictly complying with the legislation and the agreements entered into with unions, ensuring that each of the workers, whether unionized or not, exercise their labor rights.

Our employees

In 2015, the number of our employees continued to grow from 4,373 employees in December 2014 to 4,744 in December 2015, which represents an 8% increase. The following bar graph shows the evolution and breakdown of our personnel:



With regard to the incorporation of personnel, the “internal recruitment” and the “Scholarships for Young Technicians” programs were launched. The purpose of the program mentioned in the first place is to fill job vacancies with staff members, promoting in this manner the development of our employees’ careers, based on merit and professional excellence, thus increasing motivation and job satisfaction. As for the scholarships program, its purpose is to provide further training to recently graduated technicians in Electric Power Distribution and Transmission, through an intensive training in the Pacheco Regional School of the National Technological University.

Furthermore, in 2015, the Company continued to incorporate the contractor firms’ workers, who will be covered by the collective bargaining agreement entered into between the Company and the *Sindicato de Luz y Fuerza Capital Federal*.

Collective bargaining negotiations

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

- ✓ A salary increase, until April 30, 2016, of 16% from May 1, 2015 and of a non-cumulative 11.8% from September 1, 2015.
- ✓ An 11.9% increase for the period May-October 2016, to be calculated on the salaries of April 2016.

The aforementioned Resolution applies also to the contractors whose employees are included in the collective bargaining agreement of the above-mentioned union/association.

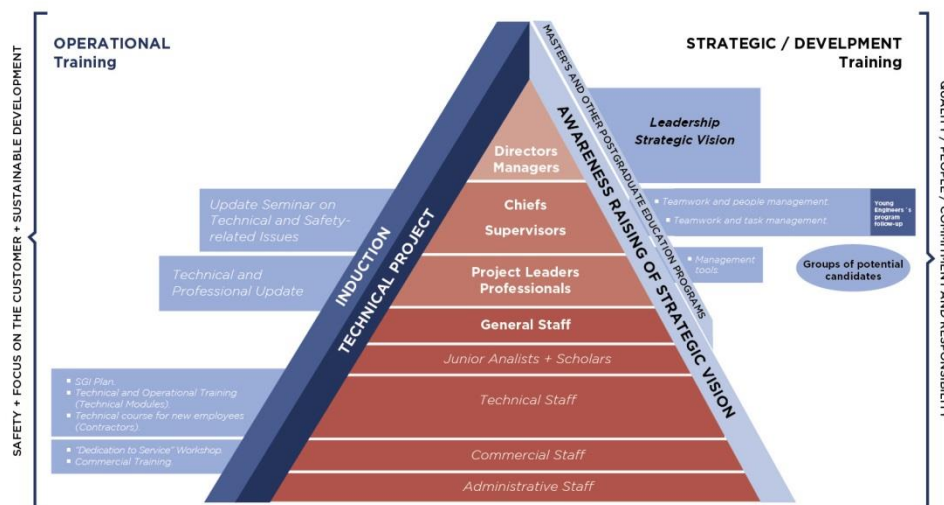
Training

The company believes that training is a determining factor in the fulfillment of an organization’s objectives. Providing workers with knowledge and developing their skills allow them to perform their jobs with more efficiency and quality.

In line with this objective, the Company launched an Annual Training Plan, which, as a distinctive feature in 2015, introduced a new conception of information gathering and planning that initially implied the definition of a global program proposed by the Human Resources Department.

The Plan was submitted to the Managing Committee, in accordance with the relevant projects and challenges for the year, in order to commence, after the approval thereof, with the planning of activities.

The Annual training plan was structured in two major types of training, strategic and operative, based on which the different modules and courses were designed.



The objective pursued by the operative training is to train workers to perform the responsibilities assigned, fostering the acquisition of knowledge and specific skills, whereas the objective of the strategic training is to accompany the Company's process of change, preparing our employees for the new challenges.

The training and updating on technical and safety-related issues are the essence of our training process. The activities are mostly carried out in-house, with a team of more than 50 facilitators, who give courses on standards, procedures and technical regulations.

The courses on "Occupational Safety – Electric Risk", addressed to all the staff licensed to perform electric tasks are worth mentioning. More than 900 employees take part in this activity throughout the year. These courses are supplemented by different specific safety-related activities oriented to tasks and certain maneuvers in the network and to the handling of vehicles and machinery. On this regard, the theoretical training was reinforced, adding activities regarding "Safety in public spaces" in the different operative areas.

One of the outstanding points of the 2015 plan was the launching of the leadership program targeted at all the management levels of the Company, which aims at adding value to our leaders by offering a space for communication and debate. 743 employees participated in this activity. The Program was carried out with the collaboration of renowned professionals from the Di Tella University executive education team.

Another milestone was the continuity of the integral courses on "Management in electricity distributors", addressed to young engineers. The Program aims at providing participants with the latest developments regarding technical, safety and management issues and ends with traineeships in the operative areas and the presentation of a final project consisting of a proposal for the improvement of the business key processes. The course was designed in concert with the Pacheco Regional School of the National Technological University, the Argentine Electro-Technical Association and the IDEA Business School.

At the same time, the scholarship program addressed to university students, which has been in place for 20 years, continued. This program strengthens the relationship with Universities, contributing to the professional development of students and graduates through the permanent exchange with the educational community.

Moreover, the Company signed an agreement with the Pacheco Regional School of the National Technological University for the joint development of several of the courses comprising the annual plan. To such end, the Company created an electric networks lab, similar to the one it has in its Training Center. Such lab was donated to the National Technological University to be also used for the practices required by the University majors and technical courses.

Additionally, it is important to point out that the Company continued to actively participate in agencies and organizations, such as the Argentine Electro-Technical Association (AEA), the Argentine Standardization Institute (IRAM) and the Association of Electric Power Distribution Companies of Argentina (ADEERA).

The following tables provide information on the hours of training and the number of participants in each of the training plan areas:

Strategic Development Module			
Program	Participants	%	Hours
Edenor Leaders	676	96%	9,777
Young Engineers	29	4%	9,695
Total	705	100%	19,472

Operational Development Module			
Program	Participants	%	Hours
Courses on SGI Plan	10,122	95%	17,386
Technical training in electric power transmission and distribution – UTN Scholarship	87	1%	15,467
Technical courses on transmission and distribution	410	4%	7,542
Total	10,619	100%	23,009

Internal communication and Work environment

With regard to Internal Communication, the *A toda luz* magazine and the weekly *Flash Informativo Semanal* news report continued to be issued, in addition to the use of the corporate Intranet and the physical and digital bulletin boards. These tools make it possible to inform personnel about our Company's news.

In connection with the work environment, our actions were aimed at strengthening the personnel's sense of belonging and closeness to Management, seeking to communicate the Company's significant aspects through the "Edenor 2020" program.

Also, an organizational climate survey, developed and managed in conjunction with the consulting firm Hay Group, was implemented. The survey structure was based on different factors that allowed for the gathering of information on the level of commitment, the support provided by the organization, and the effectiveness to achieve business results.

40% of our employees, who expressed their opinions on the different issues comprising our current work environment, participated in this survey. The survey results showed that 48% of the employees were satisfied, 24% were neutral and 28% were dissatisfied.

By means of this process it has been possible to identify strengths and opportunities for improvement, as well as the main axis on which the Company Management must focus.

Additionally, and continuing with the goal aimed at integrating our personnel, the soccer, bowling, tennis and paddle tournaments were conducted, thereby encouraging employees to spend time together in a friendly atmosphere, having a positive influence on the work environment. 500 employees participated in these tournaments. In this same line, a photo safari for the employees' children was conducted.

As regards other benefits offered to the personnel, the following initiatives were implemented seeking to reinforce not only our employees' sense of belonging but also our policy aimed at integrating our employees and their families with the Company:

- ✓ Delivery of purchase orders for the acquisition of school supplies for the workers' children
- ✓ Delivery of gift cards for the acquisition of toys for Children's day.

Occupational health

Focused on obtaining the highest health standard for all the employees, through health promotion and disease prevention, the preventive medical examination program for the totality of personnel continued to be carried out, with over 90% of the employees having undergone the medical examination, which also allowed for the renewal of licenses for the personnel exposed to electric risk.

The aforementioned situation also ensured the follow-up of those employees suffering from disorders unrelated to the occupation and/or detected in the examinations, which, eventually, were referred to the union-run healthcare system for timely and appropriate treatment, thus ensuring a better standard of living for all our employees.

Additionally, the examinations required by the occupational risk law were performed on the totality of the personnel exposed to contaminants.

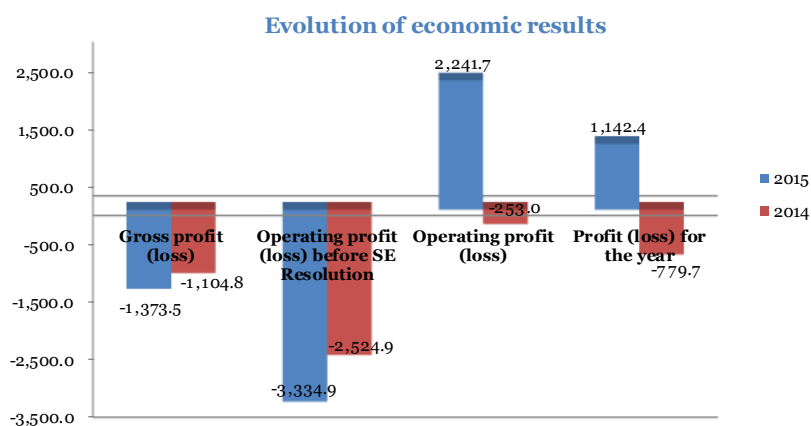
The accidents suffered by third parties outside the Company's premises as well as those suffered by our personnel continued to be followed up, offering the Company's cooperation and support when necessary.

Through our social worker, we continued providing support to and solving socio-occupational problems of our employees both, when the employees requested the service or when the social worker intervention was requested by our in-house medical services. In this same line, by means of the management of workplace attendance, an integral approach of the socio-cultural aspects of employees was adopted aimed at reducing the rates of absenteeism caused by sickness. It is worth mentioning that the number of consultations made by the personnel to our in-house medical services increased, which allowed for a better and closer contact with the employees, offering prompt solutions to their needs.

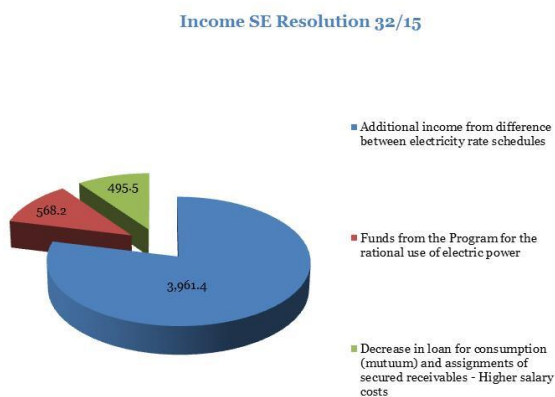
6. Economic and financial situation

Analysis of economic results

In fiscal year 2015, the Company recorded positive results for ARS 1.1 billion, as opposed to the ARS 779.7 million loss recorded in fiscal year 2014. The following graph shows the development of the Company's results:

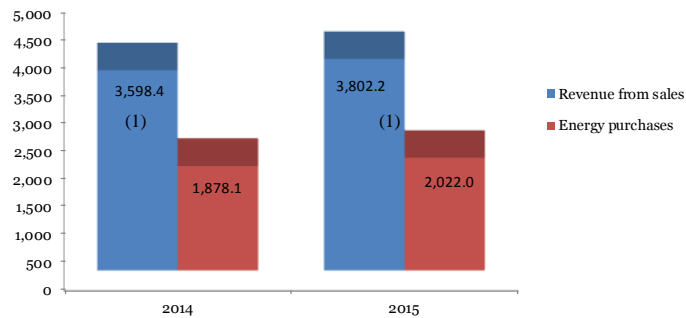


The significant variation recorded in the operating result is due to the effects of the application of Resolution No. 32 issued by the SE, whereby income for ARS 5 billion was recognized. Such income is comprised of the following concepts:



In 2015, revenue from sales amounted to ARS 3.8 billion, which represents a 6% increase as compared to 2014. Furthermore, energy purchases in 2015 totaled ARS 2 billion, recording an increase of 8% as compared to the previous year.

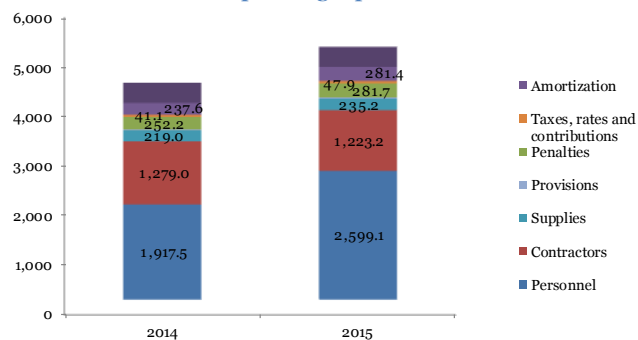
Revenue from sales and energy purchases



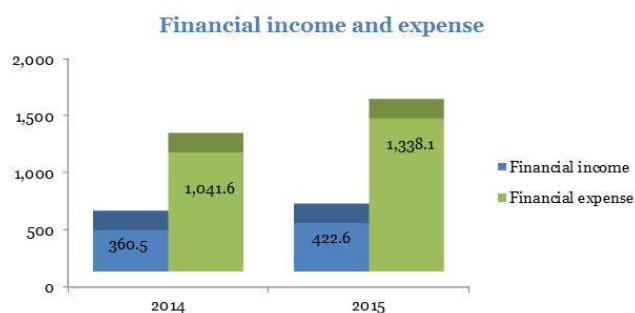
- (1) Includes right to use poles for ARS 76.4 million and ARS 57.5 million for 2015 and 2014, respectively, connection charges for ARS 4.2 million and ARS 4 million, respectively, and reconnection charges for ARS 1 million, both for 2015 and 2014.

With regard to operating costs, they recorded an increase of approximately 18% as compared to 2014, basically due to the salary hikes and the contracted services, as a result of the acceleration of the inflationary process in 2015.

Operating expenses



In 2015, net financial results recorded a loss of ARS 915.5 million, as compared to the ARS 681.1 loss recorded in 2014. This 34% increase in net loss is mainly due to the devaluation effect of the exchange rate on the Company's foreign currency denominated financial debt, partially offset by the exchange rate gain obtained in the fair value of investments (Bonds and Money market funds).



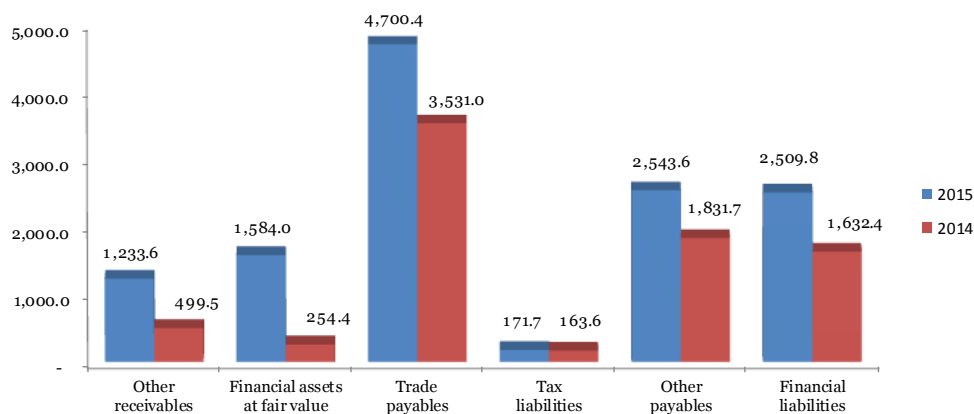
Analysis of the financial and cash position

Financial position

	Situation as of		Variation				Situation as of		Variation			
	2015	2014	\$	%			2015	2014	\$	%		
ASSETS							LIABILITIES					
NON-CURRENT ASSETS	9,113.6	6,989.3	2,124.3	30%			NON-CURRENT LIABILITIES	5,777.6	3,911.7	1,865.9	48%	
CURRENT ASSETS	3,867.3	1,640.8	2,226.5	136%			CURRENT LIABILITIES	5,678.3	4,333.4	1,344.9	31%	
TOTAL ASSETS	12,980.9	8,630.1	4,350.8	50%			TOTAL LIABILITIES	11,455.9	8,245.1	3,210.8	39%	
							EQUITY	1,525.0	385.0	1,140.0	296%	
							TOTAL LIABILITIES AND EQUITY	12,980.9	8,630.1	4,350.8	50%	

The variations recorded in the main assets and liabilities accounts as of December 31, 2015, as compared to the previous year were as follow:

Main assets and liabilities accounts



- ✓ Other receivables: its increase is due mainly to the balance pending collection for the funds related to SE Resolution No. 32.
- ✓ Financial assets at fair value: its increase originates in greater investments in money market funds and government bonds.
- ✓ Trade payables: its increase is the result of our increased debts with CAMMESA, mainly due to the balance outstanding as of March 31, 2015 exposed to the accrual of interest.
- ✓ Tax liabilities: its increase originates mainly in the income tax accrued during 2015.
- ✓ Other liabilities: its increase originates in the financing provided by CAMMESA for the execution of the Extraordinary Investment Plan.
- ✓ Financial debts: the increase is due to the devaluation effect on the rate of exchange at year-end.

Cash flows

The net decrease in cash in 2015 amounted to ARS 59.2 million, due mainly to the payment of investments in property, plant and equipment for ARS 2.1 billion, the net increase in financial investments for ARS 1 billion and the payment of interest under the corporate notes for ARS 172.9 million. The Company generated operating funds, to finance the aforementioned items, for ARS 3.2 billion.

	Situation as of		Variation	
	2015	2014	\$	%
Net cash flows provided by operating activities	3,217.0	1,548.0	1,669.0	108%
Net cash flows used in investing activities	-3,103.3	-1,461.8	-1,641.5	112%
Net cash flows used in financing activities	-172.9	-155.7	-17.2	11%
Net decrease in cash and cash equivalents	-59.2	-69.5	10.3	-15%
Cash and cash equivalents at beginning of year	179.1	243.5	-64.4	-26%
Exchange differences in cash and cash equivalents	9.1	5.1	4.0	78%
Net decrease in cash and cash equivalents	-59.2	-69.5	10.3	-15%
Cash and cash equivalents at end of year	129.0	179.1	-50.1	-28%

7. Main transactions with related parties

SACME

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

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

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

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

Financial services agreement with EASA

In November 2015 the Company and EASA entered into an addendum to the original agreement for the provision of financial services dated April 4, 2006, whereby the term of such agreement is extended for a term of 5 years to commence as from September 19, 2015.

Pursuant to the aforementioned agreement EASA will provide the Company with advisory services, as well as services related to the potential development of new lines of business compatible with the Company's corporate purpose. The services to be provided by EASA include assistance with and counselling on financial performance, financial generation group and decision-making process on financial issues, commitment of financial advisory firms and development of new financial products, restructuring of the Company's commercial and financial debt, viability, profitability and implementation of new businesses, hedging and strategies with derivatives, relation with domestic and foreign financial entities, financial aspects of the tariff and concession agreement renegotiation process, and the Company's annual budget.

The consideration to be received by EASA amounts to USD 2.5 million per year, plus VAT.

Agreement with Comunicaciones y Consumos S.A.

During fiscal year 2015, the agreement entered into with Comunicaciones y Consumos S.A. (CYCSA) on March 14, 2007 continued. Pursuant to such agreement, the Company granted CYCSA the exclusive right to provide telecommunications services to the Company customers through the use of the Company's network in accordance with the provisions of Executive Order N° 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 is responsible for all maintenance expenses and expenses related to the adapting of the Company's network for the rendering of such telecommunications services. 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 networks, CYCSA will grant the Company 2% of the annual charges collected from customers, before taxes, as well as 10% of the profits obtained from the rendering of the services. Furthermore, CYCSA will indemnify the Company for any obligation arising from the rendering of the services through the Company's network.

Furthermore, on October 27, 2008 the first addendum to the Agreement for the Granting of Permission for the Use of Electricity Distribution Network was signed. 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 provided by the Company. Moreover, said addendum grants the Company the right to use part of the capacity of the optical fiber to be installed. It is worth mentioning that the Company Board of Directors approved the referred to addendum at the Board meeting held on November 5, 2008.

Additionally, in November 2008 a second addendum was signed, whereby the term of the agreement was extended from ten to twenty years. Therefore, the agreement expires in 2028.

On December 28, 2015, a new consolidated text was instrumented, which includes the terms and conditions for the granting of the right to use the electricity distribution network, replacing all the previous agreements, letters of intent, accords, manifestos, guarantees or other specifications, and maintaining the term thereof until July 2028. That consolidated text was approved by the Company Board of Directors at the Board meeting held on December 16, 2015 with the prior favorable opinion of the Audit Committee.

8. Corporate social responsibility

Industrial safety

In November 2015, the annual audit conducted by the Argentine Standardization Institute (IRAM) on Industrial Safety was passed with satisfactory results, which allowed the Company to maintain the OHSAS 18001 Certification it had obtained in 2005.

With regard to the safety, occupational health and public safety management programs, the goals set and actions implemented in 2015, based on predefined objectives, were the following:

Objective: To prevent potential diseases and accidents, environmental pollution and lack of quality costs

✓ Goals:

- Reduce by 5% the frequency and severity rates of Company personnel accidents

✓ Activities developed:

- Licensing of new personnel and renewal of expired licenses for the carrying out of medium and low-voltage live-line works.
- Training on commuting, minor and in-office accident prevention, and on the methodology of work at height and its risks.
- Review of the Safety Standard (NS2-B) on Personal Protection Equipment
- Updating of occupational risks and hazards identification matrixes based on a new organization.
- Dissemination, to the Departments and Under-departments of operative areas and to the contractors' committees, of information on accidents caused as a consequence of both non-compliance with procedures and failure to use and preserve personal protection equipment.
- Creation of a Joint Committee to evaluate, propose and generate actions aimed at decreasing occupational accidents.
- Issuance of information bulletins about industrial and public space safety-related issues.
- Inspection of works performed by contractors.
- Carrying out of 100% of industrial safety inspections in order to detect possible anomalies.
- Analysis of the data gathered from inspections performed.

Objective: To plan, develop, verify and improve the activities deriving from resolutions, regulations and other requirements the Company voluntarily agrees to follow applicable to: quality; environment; occupational health; industrial and public space safety.

✓ Goals:

- Implement IRAM No. 3625 standard on working in confined spaces, underground transformer chambers.

✓ Activities developed:

- Training on confined spaces in order to teach how to access underground chambers, use personal and collective protection equipment and monitor air quality.
- The maintenance inspection certification of the entire fleet of cherry pickers available for use was maintained.
- Project / Bidding for the automatic fire detection system in the Iturri building.
- Installation of the fire detection and evacuation alarm automatic system in the warehouse buildings located in Garín.

Objective: To support research and development of new environmentally friendly and safety compliant technologies and work methodologies.

✓ Goals:

- Incorporate new safety-related technologies and documents.

✓ Activity developed:

- Verification of the industrial safety conditions in 39 buildings authorized by the Company.

With reference to the training for the granting of licenses to personnel, in 2015 the methodology pursuant to which the personnel is licensed to perform electrical tasks was modified, with the number of training hours having been doubled.

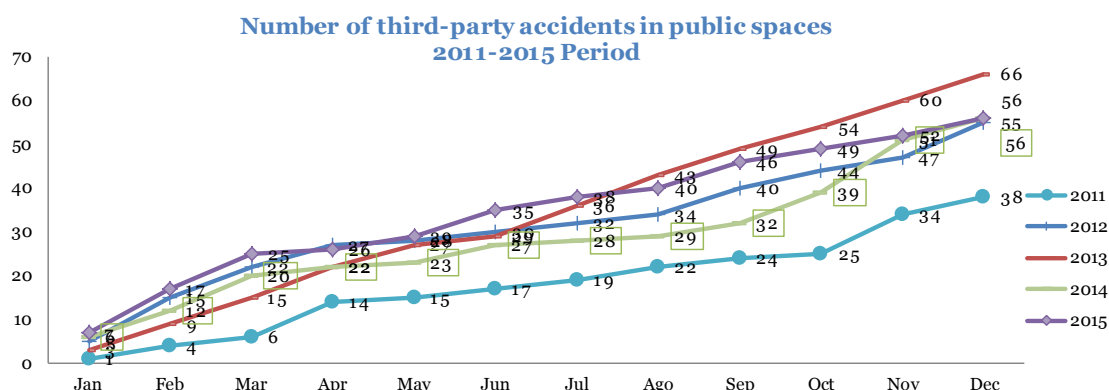
Moreover, and in relation to protective workgear, the new flame resistant fabric technology continued to be used in work clothing supplied to the personnel exposed to electric risks, with the aim of reducing the consequences in the event of accidents with electric arcs.

Public safety

In 2015, the annual audit conducted by the IRAM on the public safety system according to ENRE Resolution 421/11, was successfully passed, thus maintaining the certification of the Company's public safety system. Additionally, the audits conducted by the ENRE on both transmission areas and distribution works were successfully passed.

With regard to accidents, in 2015, there was a decrease of 27% as compared to the number of accidents recorded in 2014. 25% of the total number of accidents occurred inside houses and due to failures in internal installations. Although these accidents did not occur in public spaces nor are they the responsibility of the Company, they are recorded and reported in accordance with ENRE Resolution 421/2011 legal requirements.

The graph below shows the evolution of the number of accidents in the last years:



According to the analysis of the accidents recorded in 2015, 80% of them are the result of vandalism and third party negligence.

Furthermore, periodic meetings continued to be held with contractors to discuss public safety-related issues. At such meetings, the results of the inspections performed, i.e. goals achieved and deviations found, are presented to the contractors, who are also provided with guidelines for the training to be given to their workers.

Quality

As with the industrial safety management, in November 2015, the certifying entity IRAM conducted the external maintenance audit of the integrated management system, which was successfully passed, thus reflecting the Company's commitment to the highest quality standards. The quality management system, implemented and certified since 1999, for the meter-reading, billing, collection, supply and logistics processes has been certified under the ISO 9001:2008 international standard.

Moreover, the Company continued to actively participate in the IRAM, in which diverse committees and sub-committees analyze the different documents comprising the international agenda of the International Organization for Standardization in which Argentina offered its technical opinion and casted its vote. The permanent contribution made to the new versions of the ISO 9001:2015 Quality Management Systems and ISO 14001:2015 Environmental Management Systems standards that came into effect in September 2015 is worth mentioning.

At the same time, the Company actively participated in:

- ✓ the Commissions organized by the Argentine Society for Continuous Improvement (SAMECO),
- ✓ the Ibero-American Quality Award, through the Ibero-American Foundation for Quality Management (FUNDIBEQ), as a member of the jury,
- ✓ the National Quality Award (Law 24,127) and the Argentine Professional Institute for Quality and Excellence (IPACE).

Additionally, in 2015, improvements continued to be made to ensure a correct Quality Management, based on the goals set for the year, which were included in the Integrated Management System Program, among which the following can be mentioned:

- ✓ Assessment, analysis and reduction by 40% of actions pending resolution in the current corporate system.
- ✓ Compliance with the annual audit conducted by the external certifying entity for the maintenance of the certification of all the Company processes under the ISO 9001:2008 Quality Management System, ISO 14001:2004 Environmental Management Systems, and OHSAS 18001:2007 Occupational Health and Safety Management System international standards.
- ✓ Programming, execution, preparation of reports, disclosure of the actions in the current corporate actions system and follow-up of the three-year internal audits program of the 2015 Integrated Management System.
- ✓ Analysis, update and incorporation of improvements to the Integrated Management System ("New Corporate Actions System", "5'S Project", "Automatic Alert Via e-mail System" and "New Documentary System").
- ✓ Exchange of working practices in connection with quality management systems international standards
- ✓ Measurement of customer general satisfaction per tariff segment and per processes (1st and 2nd waves).

With regard to the Monitoring program, an analysis of all the Company's buildings was carried out with the purpose of ensuring that the mandatory controls related to evacuation drills, calculation of fire load, measurement of lighting level, control of fire detection systems and grounding, set forth in the applicable legislation (Law 19,587 on Occupational health and safety and regulatory decree 351/79), had been programmed. As a result of this analysis, four buildings that had to be included and programmed for the current year were identified.

Sustainability report – Global Compact Report

In its new 2013-2014 edition, issued in 2015, the report details the Company's actions in that period. As usual, the report referred to the Company Mission, Vision and Values, the investments made in the period, the technological innovations, the commitment to the environment, the employees, the customers and the community in general, among other issues. The report was prepared following the principles and standards of the ISO 26000 Standard and the Global Reporting Initiative (GRI) manual.

Additionally, the Company continues to adhere to the United Nations Global Compact's Ten Principles related to Labor, Human Rights, Environment and Anticorruption. In this regard, in August 2015, the Company's annual report was completed and downloaded in the United Nations' website.

Both reports are available on the Internet and the Company's official website.

Energetic efficiency

In 2015, the Company developed the following projects:

- ✓ "Galaxy" remote-controlled metering software for a sample of tariff 3 customer meters and meters of HV/MV substations.
- ✓ Rational Use of Electric Power booklet, with tips for a responsible use of energy and water, and waste disposal, to be delivered to the Company personnel and distributed to the commercial offices.
- ✓ In the framework of the FONARSEC-IRESUD project, commenced in 2010, in April 2015 the Company carried out the first installation of a photovoltaic energy generation grid-feed system.

Community actions

With the aim of establishing institutional presence in the labor market, in 2015 the Company participated in different conferences, exhibitions, events organized to provide leading companies with the opportunity to get in contact with young talents.

Moreover, the Company continued to disseminate, through the media and on its website, public safety-related tips addressed to the general public. A dissemination campaign featuring these tips was conducted during the second half of 2015, through the delivery of diptychs with electricity bills.

Educational programs

They refer to the group of activities addressed to children that are part of the Company's long-term commitment to the community with the aim of inculcating in them the importance of the rational use of energy, the protection of the environment and home and public safety, among other issues. In 2015, the Company organized a series of educational activities for primary school students, among which the following can be mentioned:

- ✓ Connection to the future: the initiative consists of a theatre play that explains how electricity functions, the rational use of energy, its safe use at home, safety in public spaces and other electricity-related aspects. In 2015, 34 schools of Hurlingham, José C. Paz, Morón and San Martín districts were visited, which made it possible for 19,002 students to see the play.
- ✓ A hundred books for our school: through this proposal, public primary schools located within the Company's concession area are invited to participate in a competition on multiple electricity-related issues. More than 8,000 students participated in the 2015 edition. The winning schools receive a library of more than one hundred books.

9. Processes and control

New Code of Ethics

In the framework of the review of the Company's Strategic Vision, in September 2015 the Board of Directors approved the new Code of Ethics.

The Code provides a roadmap to how we are expected to conduct ourselves and lays the foundation for delivering the service of excellence we set out to achieve.

The Code is available on our Training Platform for dissemination purposes and in order for all our employees to gradually adhere thereto.

Internal control system

As of December 31, 2015, the Company Management assessed the effectiveness of the internal control system with regard to the generation process of financial information, using the criteria set forth in the conceptual framework defined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (2013). Based on its assessment, and considering the aforementioned framework, Management believes that the Company maintained an effective internal control on the issuance of its financial statements as of December 31, 2015.

10. Board of Directors' Proposal

Approval of financial statements

As required by section 234 of the Argentine Business Organizations Law, we hereby inform that the Financial Statements for the year ended December 31, 2015 will be submitted for approval purposes to the next Shareholders' Meeting.

Allocation of profits

In compliance with current legal regulations, the Company Board of Directors proposes that the Annual General Meeting consider the following allocation of profits for the year ended December 31, 2015, which amount to ARS 1.1 billion:

- Legal reserve (5% of the profit for the year): ARS 57.1 million
- Absorption of losses: ARS 893.1 million
- Voluntary reserve earmarked for future investments and other financial requirements: ARS 192.2 million

The Annual General Meeting will discuss and finally decide on the allocation of profits.

Furthermore, the amount allocated to the employee profit-sharing bond, which totals ARS 5.7 million and has been deducted from the income for the year, represents 0.5% of the profit for the year.

FINANCIAL STATEMENTS 2015

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Glossary of Terms

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

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

Legal Information

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

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

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

Date of registration with the Public Registry of Commerce:

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

Term of the Corporation: August 3, 2087

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

Parent company: Electricidad Argentina S.A. (EASA)

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

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

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

CAPITAL STRUCTURE

AS OF DECEMBER 31, 2015

(amounts stated in pesos)

Class of shares	Subscribed and paid-in (See Note 16)
Common, book-entry shares, face value 1 and 1 vote per share	
Class A	462,292,111
Class B (1)	442,210,385
Class C (2)	1,952,604
	<u>906,455,100</u>

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

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

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

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

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

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

The accompanying notes are an integral part of the Financial Statements

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

	Note	12.31.15	12.31.14
Revenue	28	3,802,162	3,598,376
Electric power purchases		(2,021,981)	(1,878,088)
Subtotal		1,780,181	1,720,288
Transmission and distribution expenses	29	(3,153,664)	(2,825,062)
Gross loss		(1,373,483)	(1,104,774)
Selling expenses	29	(832,806)	(657,909)
Administrative expenses	29	(706,091)	(496,762)
Other operating expense, net	30	(422,546)	(265,505)
Gain from interest in joint ventures		1	5
Operating loss before higher costs recognition and SE Resolution 32/15		(3,334,925)	(2,524,945)
Income recognition on account of the RTI - SE Resolution 32/15	2	5,025,114	-
Higher cost recognition – SE Resolution 250/13 and subsequent Notes	2	551,498	2,271,927
Operating profit (loss)		2,241,687	(253,018)
Financial income	31	96,225	235,534
Financial expenses	31	(450,016)	(592,013)
Other financial results	31	(561,723)	(324,575)
Net financial expense		(915,514)	(681,054)
Profit (Loss) before taxes		1,326,173	(934,072)
Income tax	24	(183,730)	154,356
Profit (Loss) for the year		1,142,443	(779,716)

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

		<u>12.31.15</u>	<u>12.31.14</u>
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Results related to benefit plans	23	(3,678)	(17,823)
Tax effect of actuarial income on benefit plans	24	<u>1,287</u>	<u>6,238</u>
Total other comprehensive losses		<u>(2,391)</u>	<u>(11,585)</u>
 Comprehensive income for the year attributable to:			
Owners of the parent		1,140,052	(791,301)
Non-controlling interests		<u>-</u>	<u>-</u>
Comprehensive income (loss) for the year		<u>1,140,052</u>	<u>(791,301)</u>
 Basic and diluted earnings (loss) per share:			
Basic and diluted earnings (loss) per share	32	1.27	(0.87)

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

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

	Share capital	Adjustment to share capital	Treasury stock	Adjust- ment to treasury stock	Additional paid-in capital	Other comprehensive loss	Accumulated deficit	Total equity
Balance at December 31, 2013	897,043	397,716	9,412	10,347	3,452	(28,277)	(113,391)	1,176,302
Loss for the year	-	-	-	-	-	-	(779,716)	(779,716)
Other comprehensive loss for the year	-	-	-	-	-	(11,585)	-	(11,585)
Balance at December 31, 2014	897,043	397,716	9,412	10,347	3,452	(39,862)	(893,107)	385,001
Profit for the year	-	-	-	-	-	-	1,142,443	1,142,443
Other comprehensive loss for the year	-	-	-	-	-	(2,391)	-	(2,391)
Balance at December 31, 2015	897,043	397,716	9,412	10,347	3,452	(42,253)	249,336	1,525,053

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

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

	Note	12.31.15	12.31.14
Cash flows from operating activities			
Profit (Loss) for the year		1,142,443	(779,716)
Adjustments to reconcile net (loss) profit to net cash flows from operating activities:			
Depreciation of property, plants and equipments	29	281,407	237,639
Loss on disposals of property, plants and equipments	9	3,513	959
Net accrued interest	31	333,674	340,970
Exchange differences	31	894,773	427,896
Income tax	24	183,730	(154,356)
Allowance for the impairment of trade and other receivables, net		24,084	19,692
Adjustment to present value of receivables	31	(5,387)	(8,128)
Provision for contingencies	27	226,449	75,417
Other expenses - FOCED	30	59,563	97,701
Changes in fair value of financial assets	31	(323,610)	(67,591)
Accrual of benefit plans	23	89,254	51,425
Gain from interest in joint ventures		(1)	(5)
Higher cost recognition – SE Resolution 250/13 and subsequent	2	(551,498)	(2,271,927)
Income recognition on account of the RTI - SE Resolution 32/15	2	(495,516)	-
Net gain from the repurchase of Corporate Bonds	31	-	(44,388)
Income from non-reimbursable customer contributions	30	(764)	-
Changes in operating assets and liabilities:			
Increase in trade receivables		(40,557)	(55,276)
Increase in other receivables		(347,996)	(134,708)
Increase in inventories		(60,898)	9,883
Increase in deferred revenue		45,490	76,187
Increase (Decrease) in trade payables		660,835	(528,353)
Increase in salaries and social security payable		139,663	226,689
Decrease in benefit plans		(21,177)	(11,017)
(Decrease) in tax liabilities		(140,955)	(28,704)
Increase in other payables		(62,125)	162,316
Funds obtained from the program for the rational use of electric power (PUREE) (SE Resolution No. 1037/07)		25,612	482,929
Net decrease in provisions		(32,550)	(33,042)
Subtotal before variations of debts with Cammesa		2,027,456	(1,907,508)
Increase in account payable and mutuum with Cammesa		1,189,555	3,455,498
Net cash flows generated by operating activities		3,217,011	1,547,990

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

	Note	12.31.15	12.31.14
Cash flows from investing activities			
Payment of property, plants and equipments		(2,095,532)	(1,400,140)
Net (payment for) collection of purchase / sale of financial assets at fair value		(1,012,037)	(64,625)
Collection of receivables from sale of subsidiaries - SIESA		4,272	2,976
Net cash flows used in investing activities		(3,103,297)	(1,461,789)
Cash flows from financing activities			
Payment of principal on loans	21	-	(424)
Payment of interest on loans	21	(172,923)	(155,251)
Net cash flows used in financing activities		(172,923)	(155,675)
Decrease in cash and cash equivalents		(59,209)	(69,474)
Cash and cash equivalents at the beginning of year	15	179,080	243,473
Exchange differences in cash and cash equivalents		9,081	5,081
Decrease in cash and cash equivalents		(59,209)	(69,474)
Cash and cash equivalents at the end of the year	15	128,952	179,080
Supplemental cash flows information			
Non-cash activities			
Financial costs capitalized in property, plants and equipments	9	(255,932)	(123,861)
Acquisitions of property, plant and equipment through increased trade payables		(166,763)	(144,833)
Increase (Decrease) from offsetting of PUREE-related liability against receivables (SE Resolution 250/13, subsequent Notes and SE Resolution 32/15)	2	10,619	(574,010)
Increase (Decrease) from offsetting of liability with CAMMESA for electricity purchases against receivables (SE Resolution 250/13, subsequent Notes and SE Resolution 32/15)	2	158,081	(2,218,424)
Decrease from offset of other liabilities with CAMMESA for loans for consumption (Mutuums) granted for higher salary costs (SE Resolution 32/15)	2	(495,516)	-
Decrease in financial assets at fair value from repurchase of Corporate Bonds	21	-	91,638
Acquisitions of property, plant and equipment through increased FOTAE debt	34	-	(32,939)

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

1. General information

History and development of the Company

Edenor S.A. was organized on July 21, 1992 by Decree No. 714/92 in connection with the privatization and concession process of the distribution and sale of electric power carried out by SEGBA.

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

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

The corporate purpose of EDENOR S.A. is to engage in the distribution and sale of electricity within the concession area. Furthermore, among other activities, the Company may subscribe or acquire shares of other electricity distribution companies, subject to the approval of the regulatory agency, assign the use of the network to provide electricity transmission or other voice, data and image transmission services, and render advisory, training, maintenance, consulting, and management services and know-how related to the distribution of electricity both in Argentina and abroad. These activities may be conducted directly by EDENOR S.A. or through subsidiaries or related companies. In addition, the Company may act as trustee of trusts created under Argentine laws.

The Company's economic and financial situation

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

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

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

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

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

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

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

Development of the economic context in which the Company operates

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

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

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

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

2. Regulatory framework

a. General

The Company is subject to the regulatory framework provided under Law No. 24,065 and the regulations issued by the ENRE.

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

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

If the Company repeatedly fails to comply with the obligations assumed in the Concession Agreement, the grantor of the concession will be entitled to foreclose on the collateral granted by the majority shareholders by means of the pledge of the Class A shares and sell them in a Public Bid. This, however, will not affect the continuity of the Holder of the concession. This situation may also occur if after the publication of the electricity rate schedule resulting from the RTI, the Company, the Company shareholders representing at least two thirds of the share capital, and/or the former Company shareholders do not submit their waivers to the rights to claim or abandon the actions filed as a consequence of Law 25,561, which in part depends on the decisions of third parties. At the date of issuance of these financial statements, there have been no events of non-compliance by the Company that could be regarded as included within the scope of this situation.

Furthermore, the Concession Agreement may be rescinded in the event of the Distribution Company undergoing bankruptcy proceedings. Additionally, if the Grantor of the Concession fails to discharge his obligations in such a manner that the Distribution Company is prevented from providing the Service or the Service is severely affected on a permanent basis, the Distribution Company may request, after demanding the regularization of such situation in a term of 90 days, that the agreement be rescinded.

b. Concession

The term of the concession is 95 years, which may be extended for an additional maximum period of 10 years. The term of the concession is divided into management periods: a first period of 15 years and subsequent periods of 10 years each. At the end of each management period, the Class "A" shares representing 51% of the capital stock of Edenor S.A., currently held by EASA, must be offered for sale through a public bidding. If EASA makes the highest bid, it will continue to hold the Class "A" shares, and no further disbursements will be necessary. On the contrary, if EASA is not the highest bidder, then the bidder who makes the highest bid shall pay EASA the amount of the bid in accordance with the conditions of the public bidding. The proceeds from the sale of the Class "A" shares will be delivered to EASA after deducting any amounts receivable to which the Grantor of the concession may be entitled.

On July 7, 2007 the *Official Gazette* published ENRE Resolution No. 467/07 pursuant to which the first management period is extended for 5 years to commence as from the date on which the RTI goes into effect, which has not yet occurred. Its original maturity would have taken place on August 31, 2007.

Furthermore, in accordance with the provisions of ENRE Resolution No. 467/07, the commencement of the aforementioned process for the sale of the shares shall take place when the five-year tariff period beginning after the ending of the RTI comes to an end.

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

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

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

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

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

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

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

c. Electricity rate situation

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

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

The Adjustment Agreement provides for the following:

- i) The implementation of a Temporary Tariff Structure effective as from November 1, 2005, including a 23% average increase in the distribution margin, which may not result in an increase in the average rate of more than 15%, and an additional 5% average increase in the VAD, allocated to certain specified capital expenditures;
- ii) The requirement that during the term of said temporary tariff structure, dividend payment be subject to the approval of the regulatory authority;
- iii) The establishment of a "social tariff" for the needy and the levels of quality of the service to be rendered;
- iv) The suspension of the claims and legal actions filed by the Company and its shareholders in national or foreign courts due to the effects caused by the Economic Emergency Law;
- v) The carrying out of a RTI which will result in a new tariff structure that will go into effect on a gradual basis and remain in effect for the following 5 years. In accordance with the provisions of Law No. 24,065, the ENRE will be in charge of such review;
- vi) The implementation of a minimum investment plan in the electric network for an amount of \$ 178.8 million to be fulfilled by the Company during 2006, plus an additional investment of \$ 25.5 million should it be required;
- vii) The adjustment of the penalties imposed by the ENRE that are payable to customers by way of discounts, which were notified by such regulatory agency prior to January 6, 2002 as well as of those that have been notified, or whose cause or origin has arisen in the period between January 6, 2002 and the date on which the Adjustment Agreement goes into effect through the date on which they are effectively paid, using, for such purpose, the average increase recorded in the Company's distribution costs as a result of the increases and adjustments granted at each date;
- viii) The waiver of the penalties imposed by the ENRE that are payable to the National State, which have been notified, or their cause or origin has arisen in the period between January 6, 2002 and the date on which the Adjustment Agreement goes into effect;

The payment term of the penalties imposed by the ENRE, which are described in paragraph vii above, is 180 days after the approval of the RTI in fourteen semiannual installments, which represent approximately two-thirds of the penalties imposed by the ENRE before January 6, 2002 as well as of those that have been notified, or whose cause or origin has arisen in the period between January 6, 2002 and the date on which the Adjustment Agreement goes into effect, subject to compliance with certain requirements.

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

Said agreement was ratified by the PEN by means of Executive Order No. 1,957/06, signed by the President of Argentina on December 28, 2006 and published in the *Official Gazette* on January 8, 2007. The aforementioned agreement stipulates the terms and conditions that, upon compliance with the other procedures required by the regulations, will be the fundamental basis of the Comprehensive Renegotiation of the Concession Agreement of the public service of electric power distribution and sale within the federal jurisdiction, between the PEN and the holder of the concession.

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

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

Resolution 434/2007 provided, among other things, that the obligations and commitments set forth in section 22 of the Adjustment Agreement be extended until the date on which the electricity rate schedule resulting from the RTI goes into effect, allowing the Company and its shareholders to resume the legal actions suspended as a consequence of the Adjustment Agreement if the new electricity rate schedule does not go into effect.

II. Tariff Structure Review

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

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

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

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

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

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

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

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

These issues include, among other, the following:

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

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

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

III. Electricity rate schedules

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

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

As in previous years, SE Resolution 1037/07, ratified by SE Note 1383/08, continued to produce effects. The aforementioned resolution modified the earmarking of the funds resulting from the application of the PUREE, being it possible to deduct therefrom the amounts paid by the Company as Quarterly Adjustment Coefficient ("CAT") implemented by Section 1 of Law No. 25,957, to calculate the total value of the FNEE.

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

IV. Resolution 6/16 – Seasonal reference prices

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

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

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

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

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

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

V. Resolution 7/16 and its effects

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

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

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

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

- a) Authorized the values of the adjustments resulting from the MMC for the period May 2007 through January 2015, determined in accordance with Section 4.2 of the Adjustment Agreement, but without initiating the review process contemplated in the event of variations exceeding 5%.
- b) Assessed the Company's debt as of December 31, 2015 deriving from the application of the PUREE for the period May 2007 through January 2015.
- c) Authorized the Company to offset until December 2014 the debt indicated in paragraph b) against and up to the amount of the receivables established in paragraph a), including interest, if any, on both amounts.
- d) Instructed CAMMESA to issue LVFVD for the MMC surplus amounts after the offsetting process indicated in paragraph c) has been carried out.
- e) Authorized CAMMESA to receive LVFVD as part payment for the past due debts deriving from the economic transactions of the MEM.
- f) Instructed the Company to assign the credits from the surplus LVFVD, if there were any, after having complied with that established in the preceding paragraph, to the trust created under the terms of ENRE Resolution 347/12 (FOCEDE).

The SE, if deemed timely and suitable, may extend, either totally or partially, the application of the aforementioned resolution and amplifying note pursuant to the information provided by the ENRE and CAMMESA. In this regard, on November 6, 2013, October 9, 2014 and December 18, 2014 it issued SE Notes 6852/13, 4012/14, 486/14 and 1136/14 respectively.

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

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

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

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

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

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

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

VII. ENRE Resolution 347/12

On November 23, 2012, the ENRE issued Resolution 347 pursuant to which distribution companies were authorized, as from the issuance thereof, to include in the bills a fixed amount for small-demand (T1) customers and a variable amount for medium and large-demand (T2 and T3) customers, to be calculated on a percentage of power charges. Such amounts, which are clearly indicated in the bills sent to customers, constitute a special account, which is managed by a Trust, to be exclusively used for the execution of distribution infrastructure works and corrective maintenance of each distribution company's facilities. This Trust will be administered by an Implementation Committee comprised of 5 members: 1 from the MEyFP, 2 from the MPFIPyS, 1 from CAMMESA and 1 from the ENRE.

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

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

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

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

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

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

In this regard, said agreement stipulates that payment obligations under the VRD will be solely and exclusively the obligations of Nación Fideicomisos S.A. (to the extent that the trust assets are sufficient) and will not imply in any way whatsoever any guarantee or recourse against the Company, which in no case will be liable for the non-payment, whether total or partial, of any amount owed under the VRD or any other concept contemplated by the Trust Agreement duly signed. Moreover, and in view of the fact that up to now the only income of the trust derives from the Company's contributions and, also, that the VRD have accrued interest that will have to be paid by the trust assets, the Company has decided to record a provision for an amount equivalent to the trust's net financial charges, which has been recorded as other payables and charged to other operating expense.

Additionally, on January 3, 2014, by Resolution 3/2014 of the MPFIPyS, it was established that the investments to be made with the FOCEDE funds will be decided by the Management Control and Coordination Undersecretariat, which will provide the necessary instructions for the carrying out of the works and investments under the FOCEDE to the Implementation Committee of the trust created by ENRE Resolution 347/12 as well as to electricity distribution companies Edenor S.A. and Edesur S.A.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2) Higher salary costs

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

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

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

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

IX. SE Resolution 32/15

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

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

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

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

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

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

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

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

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

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

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

d. Framework agreement

On January 10, 1994, the Company, together with EDESUR S.A., the Federal Government and the Government of the Province of Buenos Aires entered into a Framework Agreement, whose purpose was to establish the guidelines under which the Company is to supply electricity to low-income areas and shantytowns.

On July 22, 2011, the Company, the Federal Government, and the Government of the Province of Buenos Aires entered into an Addendum for the renewal for a term of four years (from January 1, 2011 through December 31, 2014) of the New Framework Agreement that had been signed on October 6, 2003. Such extension was approved on September 21, 2012 by Resolution 248/12 issued by the ENRE and ratified by Resolution 247 of the MPFIPyS.

With regard to the amount receivable the Company has with the Province of Buenos Aires, on October 18, 2012 the Company entered into an Agreement for the Settlement of Non-financial Obligations and Subscription of Buenos Aires Province Government Bonds, pursuant to which the Company agreed to receive an amount of \$ 0.3 million in cash and subscribe Series B Bonds for a residual nominal value of \$ 6.14 million, as settlement of the debt that as of December 31, 2010 such Province had with the Company for the electric power supplied to low-income areas.

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

e. Penalties

i. General

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

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

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

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

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

ii. Compensation payable to customers

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

iii. Discounts to customers

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

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

iv. Payment agreements

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

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

f. Stabilization factor

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

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

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

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

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

g. Restriction on the transfer of the Company's common shares

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

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

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

Other restrictions:

- In connection with the issuance of Corporate Notes, during the term thereof, EASA is required to be the beneficial owner and owner of record of not less than 51% of the Company’s issued, voting and outstanding shares.
- In connection with the Adjustment Agreement signed with the Grantor of the Concession and ratified by Executive Order 1957/06, Section ten stipulates that from the signing of the agreement through the end of the Contractual Transition Period, the majority shareholders may not modify their ownership interest nor sell their shares.
- In connection with the restructuring of the totality of EASA’s financial debt, if EASA did not comply with its payment obligations under the new debt, its creditors could obtain an attachment order against the Company’s Class A shares held by EASA, and, consequently, the Argentine Government would be entitled, as stipulated in the concession agreement, to foreclose on the pledged shares.

h. Concession of the use of real property

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

The Company may make all kind of improvements to the properties, including new constructions, upon SEGBA’s prior authorization, which will become the grantor’s property when the concession period is over, and the Company will not be entitled to any compensation whatsoever. SEGBA may terminate the loan for use contract after demanding the performance by the Company of any pending obligation, in certain specified cases set forth in the Bid Package. At present, as SEGBA’s residual entity has been liquidated, these presentations and controls are made to the National Agency of Public Properties (ONABE).

3. Basis of preparation

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

The balances as of December 31, 2014, disclosed in these financial statements for comparative purposes, arise from the financial statements as of that date. Certain amounts of the financial statements presented for comparative purposes have been reclassified following the disclosure criteria used for the financial statements for the reporting year.

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

These financial statements were approved for issue by the Company Board of Directors on March 8, 2016.

4. Accounting policies

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

4.1 Changes in the accounting policies**4.1.1 New standards, amendments and interpretations not effective and not early adopted by the Company**

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

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

4.2 Property, plant and equipment

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

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

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

Finally, and in accordance with the concession agreement, the Company may not pledge the assets used in the provision of the public service nor grant any other security interest thereon in favor of third parties, without prejudice to the Company's right to freely dispose of those assets which in the future may become inadequate or unnecessary for such purpose. This prohibition does not apply in the case of security interests granted over an asset at the time of its acquisition and/or construction as collateral for payment of the purchase and/or installation price.

The residual value and the remaining useful lives of the assets are reviewed and adjusted, if appropriate, at the end of each fiscal year (reporting period).

Land is not depreciated.

Facilities in service: between 30 and 50 years

Furniture, tools and equipment: between 5 and 20 years

Construction in process is valued based on the degree of completion and is recorded at cost less any impairment loss, if applicable. Cost includes expenses attributable to the construction, including capitalized borrowing costs in accordance with IFRS and the Company's accounting policies, when they are part of the cost incurred for the purposes of acquisition, construction or production of property, plant and equipment which require considerable time until they are in condition to be used. Borrowing costs are no longer capitalized when the asset has been substantially finished or its development has been suspended. These assets begin to be depreciated when they are in economic condition to be used.

Gains and losses from the sale of property, plant and equipment are calculated by comparing the price collected with the carrying amount of the asset, and are recognized within Other operating expense or Other operating income in the statement of comprehensive income.

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

The valuation of property, plant and equipment, taken as a whole, does not exceed its recoverable value, which is measured as the value in use as of the end of each year (Note 6.c).

4.3 Interests in joint ventures

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

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

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

When the Company carries out transactions in the joint ventures, the income and losses are eliminated in accordance with the percentage interest held by the Company in the jointly controlled entity.

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

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

4.4 Revenue recognition

a. Revenue from sales

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

Revenue from the electricity provided by the Company to low-income areas and shantytowns is recognized to the extent that the Framework Agreement has been renewed for the period in which the service was rendered.

Revenue from operations is recognized on an accrual basis and derives mainly from electricity distribution. Such revenue includes both the electricity supplied, whether billed or unbilled at the end of each year, which has been valued on the basis of applicable tariffs, and the charges resulting from the application of Resolution 347/12 (Note 2.c.VII).

The Company also recognizes revenue from other concepts included in distribution services, such as new connections, reconNECTIONS, rights of use on poles, transportation of electricity to other distribution companies, etc.

The aforementioned revenue from operations was recognized when all of the following conditions were met:

1. the entity transferred to the buyer the significant risks and rewards;
2. the amount of revenue was measured reliably;
3. it is probable that the economic benefits associated with the transaction will flow to the entity;
4. the costs incurred or to be incurred, in respect of the transaction, were measured reliably.

b. Interest income

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

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

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

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

b. Transactions and balances

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

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

4.6 Trade and other receivables**a. Trade receivables**

The receivables arising from services billed to customers but not collected as well as those arising from services rendered but unbilled at the closing date of each financial year are recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

The receivables from electricity supplied to low-income areas and shantytowns are recognized, also in line with revenue, when the Framework Agreement has been renewed for the period in which the service was provided.

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

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

b. Other receivables

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

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

4.7 Inventories

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

They are valued based on the purchase price, import duties (if applicable), and other taxes (that are not subsequently recovered by tax authorities), and other costs directly attributable to the acquisition of those assets.

Cost is determined by applying the weighted average cost method.

The Company has classified inventories into current and non-current depending on whether they will be used for maintenance or capital expenditures and on the period in which they are expected to be used. The non-current portion of inventories is disclosed in the "Property, plant and equipment" account.

The valuation of inventories, taken as a whole, does not exceed their recoverable value at the end of each year.

4.8 Financial assets

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

4.8.1 Classification

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

a. Financial assets at amortized cost

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

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

b. Financial assets at fair value

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

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

4.8.2 Recognition and measurement

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

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

The gains or losses generated by investments in debt instruments that are subsequently measured at fair value and are not part of a hedging transaction are recognized in profit or loss. Those generated by investments in debt instruments that are subsequently measured at amortized cost and are not part of a hedging transaction are recognized in profit or loss when the financial asset is derecognized or impaired and by means of the amortization process using the effective interest rate method.

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

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

4.8.3 Impairment of financial assets

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

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

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

4.8.4 Offsetting of financial instruments

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

4.9 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the respective contract is signed. Subsequently to the initial recognition, they are remeasured at their fair value. The method for recognizing the resulting loss or gain depends on whether the derivative has been designated as a hedging instrument and, if that is the case, on the nature of the item being hedged. As of December 31, 2015 and 2014, the economic impact of these transactions are recorded in the Other financial expense account of the Statement of comprehensive income.

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

On September 14, 2015, with the aim of hedging the currency risk associated with the payment of the next interest coupon, the Company entered into futures contracts to buy US dollars for a nominal value of USD 11.9 million, at the average rate of exchange of ARS 10.824 per US dollar, expiring in April 2016.

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

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

4.10 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less from their acquisition date, with significant low risk of change in value.

- Cash and banks in local currency: at nominal value.
- Cash and banks in foreign currency: at the exchange rates in effect at the end of the year.
- Time deposits, which include the portion of interest income accrued through the end of the year.
- Money market funds, which have been valued at the prevailing market price at the end of the year. Those that do not qualify as cash equivalents are disclosed in the Financial assets account at fair value through profit or loss.

4.11 Equity

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

a. Share capital

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

b. Treasury stock

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

c. Other comprehensive loss

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

d. Retained earnings

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

4.12 Trade and other payables**a. Trade payables**

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

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

b. Customer guarantees

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

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

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

The Company has decided not to request customer [guarantees](#) from residential tariff customers.

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

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

c. Customer contributions

Refundable: The Company receives assets or facilities (or the cash necessary to acquire or built them) from certain customers for services to be provided, based on individual agreements and the provisions of ENRE Resolution 215/2012. These contributions are initially recognized as trade payables at fair value with a contra-account in Property, plant and equipment, and subsequently measured at amortized cost using the effective interest rate method.

d. Other payables

The other liabilities recorded in Other Payables, including the Loans for consumption (Mutuums) with CAMMESA (Note 2.c.VIII), the Payment agreement with the ENRE (Note 2.e).iv) and the advances for the execution of works, are initially recognized at fair value and subsequently measured at amortized cost.

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

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

4.13 Borrowings

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

4.14 Deferred revenue

Non-refundable customer contributions: The Company receives assets or facilities (or the cash necessary to acquire or built them) from certain customers for services to be provided, based on individual agreements. In accordance with IFRIC 18, the assets received are recognized by the Company as Property, plant and equipment with a contra-account in deferred revenue, the accrual of which depends on the nature of the identifiable services, in accordance with the following:

- Customer connection to the network: revenue is accrued until such connection is completed;
- Continuous provision of the electric power supply service: throughout the shorter of the useful life of the asset and the term for the provision of the service.

4.15 Employee benefits**Benefit plans**

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

The liability recognized in the statement of financial position in respect of benefit plans is the present value of the benefit plan obligation at the closing date of the year, together with the adjustments for past service costs and actuarial gains or losses. The benefit plan obligation is calculated annually by independent actuaries in accordance with the projected unit credit method. The present value of the benefit plan obligation is determined by discounting the estimated future cash outflows using actuarial assumptions about demographic and financial variables that affect the determination of the amount of such benefits. The benefit plans are not funded.

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

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

4.16 Income tax and tax on minimum presumed income

a. Deferred income tax

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

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

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

Deferred tax assets and liabilities are offset if the Company has a legally enforceable right to offset recognized amounts and when deferred tax assets and liabilities relate to income tax levied by the same tax authority on the same taxable entity. Deferred tax assets and liabilities are stated at their undiscounted value.

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

b. Tax on minimum presumed income

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

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

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

4.17 Assignments of use

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

a. As assignee

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

b. As assignor

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

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

4.18 Provisions and contingencies

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

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

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

4.19 Balances with related parties

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

4.20 Higher costs recognition

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

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

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

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

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

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

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

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

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

a. Market risks**i. Currency risk**

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

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If the Company continued to be unable to effectively hedge all or a significant part of its exposure to currency risk, any devaluation of the peso could significantly increase its debt service burden, which, in turn, could have a substantial adverse effect on its financial and cash position (including its ability to repay its Corporate Notes) and the results of its operations. The exchange rates used as of December 31, 2015 and 2014 are \$ 13.04 and \$ 8.56 per USD, respectively.

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

	Currency	Amount in foreign currency	Exchange rate (1)	Total 12.31.2015	Total 12.31.2014
ASSETS					
NON-CURRENT ASSETS					
Other receivables	USD	-	12.940	-	2,807
TOTAL NON-CURRENT ASSETS		-		-	2,807
CURRENT ASSETS					
Other receivables	USD	865	12.940	11,193	-
Financial assets at fair value through profit or loss	USD	-	12.940	-	26,002
Cash and cash equivalents	USD	820	12.940	10,607	6,392
	EUR	13	14.068	181	148
TOTAL CURRENT ASSETS		1,698		21,981	32,542
TOTAL ASSETS		1,698		21,981	35,349
LIABILITIES					
NON-CURRENT LIABILITIES					
Borrowings	USD	179,532	13.040	2,341,098	1,598,442
Related parties	USD	9,193	13.040	119,877	-
TOTAL NON-CURRENT LIABILITIES		188,725		2,460,975	1,598,442
CURRENT LIABILITIES					
Trade payables	USD	14,256	13.040	185,900	76,502
	EUR	849	14.210	12,063	20,053
	CHF	30	13.084	397	262
	NOK	68	1.488	101	79
Borrowings	USD	3,580	13.040	46,688	33,961
Related parties	USD	162	13.040	2,110	-
TOTAL CURRENT LIABILITIES		18,945		247,259	130,857
TOTAL LIABILITIES		207,670		2,708,234	1,729,299

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

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

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

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

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

ii. Price risk

The Company's investments in listed equity instruments are susceptible to market price risk arising from the uncertainties concerning the future value of these instruments. Due to the low significance of the investments in equity instruments in relation to the net Asset/Liability position, the Company is not significantly exposed to the referred to instruments price risk.

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

iii. Interest rate risk

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

Indebtedness at floating rates exposes the Company to interest rate risk on its cash flows. Indebtedness at fixed rates exposes the Company to interest rate risk on the fair value of its liabilities. As of December 31, 2015 and 2014 100% of the loans were obtained at fixed interest rates. The Company's policy is to keep the higher percentage of its indebtedness in instruments that accrue interest at fixed rates.

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

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

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

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

b. Credit risk

Credit risk is the risk of a financial loss as a consequence of a counterparty's failure to comply with the obligations assumed in a financial instrument or commercial contract. The Company's exposure to credit risk results from its operating (particularly from its commercial receivables) and financial activities, including deposits in financial entities and other instruments.

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

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

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

Individual credit limits are established in accordance with the limits set by the Company CEO, on the basis of the internal or external ratings approved by the Finance and Control Department.

At each year-end, the Company analyzes whether the recording of an impairment is necessary. As of December 31, 2015 and 2014, delinquent trade receivables totaled approximately \$ 209.3 million and \$ 229.3 million, respectively. As of December 31, 2015 and 2014, the financial statements included allowances for \$ 79.3 million and \$ 84.6 million, respectively. The inability to collect the accounts receivable in the future could have an adverse effect on the Company's results of operations and its financial position, which, in turn, could have an adverse effect on the Company's ability to repay loans, including payment of the Corporate Notes.

The balances of the bills for electricity consumption that remain unpaid 13 and 7 working days after the bills' due dates for small-demand (tariff 1) and medium and large-demand (tariff 2 and 3) customers, respectively are considered delinquent trade receivables. Additionally, the amounts related to the Framework Agreement are not considered within delinquent balances.

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

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c. Liquidity risk

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

Cash surpluses held by the Company and the balances in excess of the amounts required to manage working capital are invested in Money Market Funds and/or time deposits that accrue interest, currency deposits and securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient margin as determined in the aforementioned projections. As of December 31, 2015 and 2014, the Company's current financial assets at fair value amount to \$ 1.6 billion and \$ 254.4 million, respectively, which are expected to generate immediate cash inflows to manage the liquidity risk.

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

	Less than 3	From 3	From 1 to 2	From 2 to 5	More than 5	Total
As of December 31, 2015						
Trade and other payables	4,322,334	304,771	134,943	90,023	-	4,852,071
Borrowings	-	256,959	439,325	710,250	2,655,238	4,061,772
Total	4,322,334	561,730	574,268	800,273	2,655,238	8,913,843
As of December 31, 2014						
Trade and other payables	3,278,287	120,587	129,233	207,515	-	3,735,622
Borrowings	-	102,202	102,202	406,315	1,775,152	2,385,871
Derivative financial instruments	-	5,895	-	-	-	5,895
Total	3,278,287	228,684	231,435	613,830	1,775,152	6,127,388

5.2 Concentration risk factors

a. Related to customers

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

No single customer accounted for more than 10% of sales for the years ended December 31, 2015 and 2014. The collectibility of trade receivables balances related to the Framework Agreement, which amount to \$ 73.1 million and \$ 75.8 million as of December 31, 2015 and 2014, respectively, as disclosed in Note 2 (Framework Agreement), is subject to compliance with the terms of such agreement.

b. Related to employees who are union members

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

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

5.3 Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Company monitors its capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total liabilities (current and non-current) less cash and cash equivalents. Total capital is calculated as equity attributable to the owners as shown in the statement of financial position plus net debt.

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

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

5.4 Fair value estimate

The Company classifies the measurements of financial instruments at fair value using a fair value hierarchy that reflects the relevance of the variables used to carry out such measurements. The fair value hierarchy has the following levels:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from the prices).
- **Level 3:** inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below shows the Company's financial assets measured at fair value as of December 31, 2015 and 2014:

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

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

The fair value of financial instruments that are not negotiated in active markets is determined using valuation techniques. These valuation techniques maximize the use of market observable information, when available, and rely as little as possible on specific estimates of the Company. If all significant variables to establish the fair value of a financial instrument can be observed, the instrument is included in level 2. These derivative financial instruments arise from the variation between the market prices at year-end or sale thereof and the time of negotiation. The market value used is obtained from the "Report on US Dollar futures – ROFEX" issued by Banco Finansur.

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

6. Critical accounting estimates and judgments

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

These estimates and judgments are permanently evaluated and are based upon past experience and other factors that are reasonable under the existing circumstances. Future actual results may differ from the estimates and assessments made at the date of preparation of these financial statements.

The estimates that have a significant risk of causing adjustments to the carrying amounts of assets and liabilities within the next fiscal year are detailed below:

a. Allowances for the impairment of receivables

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

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

b. Revenue recognition

Revenue is recognized on an accrual basis upon delivery to customers, which includes the estimated amount of unbilled distribution of electricity at the end of each year. We consider our accounting policy for the recognition of estimated revenue critical because it depends on the amount of electricity effectively delivered to customers which is valued on the basis of applicable tariffs. Unbilled revenue is classified as current trade receivables.

c. Impairment of long-lived assets

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

Recoverability analysis

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

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

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

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

The future increase in electricity rates used by the Company to assess the recoverability of its long-lived assets as of December 31, 2015 is based on the rights to which the Company is entitled, as stipulated in the Concession Agreement and the agreements described in Note 2 to these financial statements. Furthermore, the actions taken to maintain and guarantee the provision of the public service, the presentations made before regulatory authorities, the status quo of the discussions that are being held with government representatives, the announcements made by government officials concerning possible changes in the sector's revenues to restore the economic and financial equation, and certain adopted measures, such as those described in Notes 2.c.III, V and VI to these financial statements, have also been considered. The Company Management estimates that it is reasonable to expect that new increases in revenues will be obtained as from 2017 as a result of the carrying out during 2016 of the RTI.

The Company has made its projections under the assumption that it will obtain better electricity rates, in addition to the adjustments on account of the VAD provided for by Resolution 7/2016. However, due to the complexity of the RTI process the Company Management may not ensure that the future performance of the variables used to make its projections will be in line with what it has estimated at the date of preparation of these financial statements.

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

The scenarios that have been considered are the following:

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

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

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

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

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

Sensitivity analysis:

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

d. Current and deferred income tax

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

There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for eventual tax claims based on estimates of whether additional taxes will be due in the future.

Deferred tax assets are reviewed at each reporting date and reduced in accordance with the probability that the sufficient taxable base will be available to allow for the total or partial recovery of these assets. Deferred tax assets and liabilities are not discounted. The realization of deferred tax assets depends on the generation of future taxable income in the periods in which these temporary differences become deductible. To make this assessment, the Company Management takes into consideration the scheduled reversal of deferred tax liabilities, the projections of future taxable income and tax planning strategies.

e. Benefit plans

The liability recognized by the Company is the best estimate of the present value of the cash flows representing the benefit plan obligation at the closing date of the year together with the adjustments for past service costs and actuarial losses. Cash flows are discounted using a rate that contemplates actuarial assumptions about demographic and financial conditions that affect the determination of benefit plans. Such estimate is based on actuarial calculations made by independent professionals in accordance with the projected unit credit method.

f. ENRE penalties and discounts

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

g. Contingencies and provisions for lawsuits

The Company is a party to several complaints, lawsuits and other legal proceedings, including customer claims, in which a third party is seeking payment for alleged damages, reimbursement for losses or compensation. The Company's potential liability with respect to such claims, lawsuits and legal proceedings may not be accurately estimated. The Company Management, with the assistance of its legal advisors (attorneys), periodically analyzes the status of each significant matter and evaluates the Company's potential financial exposure. If the loss deriving from a complaint or legal proceeding is considered probable and the amount can be reasonably estimated, a provision is recorded.

Provisions for contingent losses represent a reasonable estimate of the losses that will be incurred, based on the information available to Management at the date of the financial statements preparation, taking into account the Company's litigation and settlement strategies. These estimates are mainly made with the help of legal advisors. However, if the Management's estimates proved wrong, the current provisions could be inadequate and result in a charge to profits that could have a significant effect on the statements of financial position, comprehensive income, changes in equity and cash flows.

7. Interest in joint venture

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

8. Contingencies and lawsuits

The Company has contingent liabilities and is a party to lawsuits that arise from the ordinary course of business. Based on the opinion of its legal advisors, the Company Management estimates that the outcome of the current contingencies and lawsuits will not exceed the amounts of the recorded provisions nor will be significant with respect to the Company's financial position or the results of its operations.

Furthermore, it is worth mentioning that there exist contingent obligations and labor, civil and commercial complaints filed against the Company related to legal actions for individual non-significant amounts for which a provision, which as of December 31, 2015 amounts to \$ 330.1 million, has been recorded.

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

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

Purpose:

a) That all the last resolutions concerning electricity rates issued by the ENRE and the SE be declared null and unconstitutional, and, in consequence whereof, that the amounts billed by virtue of these resolutions be refunded.

b) That all the defendants be under the obligation to carry out the RTI.

c) That the resolutions issued by the SE that extend the transition period of the Adjustment Agreement be declared null and unconstitutional.

d) That the defendants be ordered to carry out the sale process, through an international public bidding, of the class "A" shares, due to the fact that the Management Period of the Concession Agreement is considered over.

e) That the resolutions as well as any act performed by a governmental authority that modify contractual renegotiations be declared null and unconstitutional.

f) That the resolutions that extend the management periods stipulated in the Concession Agreement be declared null and unconstitutional.

g) Subsidiarily, should the main claim be rejected, that the defendants be ordered to bill all customers on a bimonthly basis.

Amount: undetermined

Procedural stage of the proceedings: The Company answered the complaint rejecting all its terms and requesting that a summons be served upon CAMMESA as a third-party defendant. The Court hearing the case sustained the request and CAMMESA answered the service of notice in due time and proper manner. The Federal Government has answered the complaint filed against it within the term granted for such purpose, filing a motion to dismiss for lack of standing to be sued. At present no resolution has been issued modifying the procedural stage of the proceedings; however, the records have been made available to the Prosecutor, and after they were returned the defendant submitted the report required by section 4, sub-section 1 of Law No. 26,854

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

b. Legal action brought by Consumidores Financieros Asociación civil para su defensa

Purpose:

1) Reimbursement of the VAT percentage paid on the illegally "widened" taxable basis due to the incorporation of a concept (FNEE) on which no VAT had been paid by the defendants when CAMMESA (the company in charge of the regulation and operation of the MEM) invoiced them the electricity purchased for distribution purposes.

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2) Reimbursement of part of the administrative surcharge on “second due date”, in those cases in which payment was made within the time period authorized for such second deadline (14 days) but without distinguishing the effective day of payment.

3) Application of the “borrowing rate” in case of customer delay in complying with payment obligation, in accordance with the provisions of Law No. 26,361.

Amount: undetermined

Procedural stage of the proceedings: On April 22, 2010, the Company answered the complaint and filed a motion to dismiss for lack of standing, requesting, at such opportunity, that a summons be served upon the Federal Government, the AFIP and the ENRE as third-party defendants. Notice of this was served upon the plaintiff. Although the plaintiff's opposition to the requested summons had not yet been resolved, the proceedings were brought to trial, in response to which Edenor S.A. filed a motion for reversal with a supplementary appeal. The Court hearing the case granted the motion filed by Edenor S.A. and ordered that the Federal Government, the AFIP and the ENRE be summoned as third-party defendants, which is currently taking place.

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

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

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

- That the Company be fined in the amount of \$ 750,000 due to its failure to comply with the obligations arising from Section 25, sub-sections a, f and g, of the Concession Agreement and Section 27 of Law No. 24,065.

- That the Company be fined in the amount of \$ 375,000 due to its failure to comply with the obligations arising from Section 25 of the Concession Agreement and ENRE Resolution No. 905/1999.

- That Company customers be paid as compensation for the power cuts suffered the following amounts: \$ 180 to each small-demand residential customer (T1R) who suffered power cuts that lasted more than 12 continuous hours, \$ 350 to those who suffered power cuts that lasted more than 24 continuous hours, and \$ 450 to those who suffered power cuts that lasted more than 48 continuous hours. The resolution stated that such compensation did not include damages to customer facilities and/or appliances, which were to be dealt with in accordance with a specific procedure.

Amount: \$ 22.4 million.

Procedural stage of the proceedings: On July 8, 2011, the Company requested that notice of the substance of the case be served upon the ENRE, which has effectively taken place. The proceedings are “awaiting resolution” since the date on which the ENRE answered the notice served. Furthermore, on October 28, 2011, the Company filed an appeal to the Supreme Court concerning the provisional relief sought and not granted. On April 24, 2013, the Company was notified of Division I's decision dated March 21, 2013, pursuant to which the appeal filed by Edenor S.A. was declared formally inadmissible. On May 3, 2013, the Company filed an ordinary appeal to the Supreme Court. Additionally, on May 13, 2013, an extraordinary appeal was also filed to the same Court. On November 7, 2014, it was notified to the Company that Division I had rejected the ordinary appeal but partially granted the extraordinary appeal, considering for the granting thereof the federal nature of the regulations being challenged and rejecting it in relation to the arbitrariness raised by Edenor S.A. Therefore, and within the procedural term granted for such purpose, the Company filed an appeal requesting that the extraordinary appeal dismissed be sustained. As of the date of this report, no decision has yet been issued on this regard.

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

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

Purpose: that the Company be ordered to reduce or mitigate the default or late payment interest rates charged to customers who pay their bills after the first due date, inasmuch as they violate section 31 of Law No. 24,240, ordering both the non application of pacts or accords that stipulate the interest rates that are being applied to the users of electricity –their unconstitutional nature– as well as the reimbursement of interest amounts illegally collected from users of the service from August 15, 2008 through the date on which the defendant complies with the order to reduce interest. It is also requested that the value added tax (VAT) and any other taxes charged on the portion of the surcharge illegally collected be reimbursed.

Amount: undetermined

Procedural stage of the proceedings: On November 11, 2011, the Company answered the complaint and filed a motion to dismiss for both lack of standing to sue and the fact that the claims at issue were being litigated in another lawsuit, currently in process, requesting as well that a summons be served upon the ENRE as a third-party defendant. Notice of these pleadings was served upon the plaintiff. Prior to rendering a decision on the motion to dismiss, the Court ordered that the Court in Contentious and Administrative Federal Matters No. 2 – Clerk's Office No. 3 provide it with the proceedings "Consumidores Financieros Asociación Civil vs EDESUR and Other defendants, for breach of contract". At the date of issuance of these financial statements, the Court has received the requested file. On April 8, 2014, the Court in Civil and Commercial Federal Matters No. 9 – Clerk's Office No. 17 admitted the motion to dismiss due to the fact that the claims at issue were being litigated in another lawsuit, and ordered that the proceedings be sent to Federal Court No. 2 – Clerk's Office No. 3 to be dealt with thereat, thus joining them to the case entitled "consumidores financieros vs Edesur and other defendants, for breach of contract". Apart from the fact that the proceedings have been received in the court that currently hears the case, which continues in process, no significant events have occurred.

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

e. Legal action brought by the Company ("Edenor S.A. VS FEDERAL GOVERNMENT – MINISTRY OF FEDERAL PLANNING / PROCEEDING FOR THE DETERMINATION OF A CLAIM AND MOTION TO LITIGATE WITHOUT LIABILITY FOR COURT FEES OR COSTS")

On June 28, 2013, the Company instituted these proceedings for the recognizance of a claim and the related leave to proceed without liability for court fees or costs, both pending in the Federal Court of Original Jurisdiction in Contentious and Administrative Federal Matters No. 11 – Clerk's Office No. 22.

Purpose of the main proceedings: To sue for breach of contract due to the Federal Government's failure to perform in accordance with the terms of the "Memorandum of Understanding concerning the Renegotiation of the Concession Agreement" entered into with Edenor in 2006, and for damages caused as a result of such breach.

Procedural stage of the proceedings: On November 22, 2013, the Company amended the complaint so as to extend it and claim more damages as a consequence of the Federal Government's omission to perform the obligations under the aforementioned "Adjustment Agreement". On February 3, 2015, the court hearing the case ordered that notice of the complaint be served to be answered within the time limit prescribed by law, which was answered by the Federal Government in due time and in proper manner. Subsequently, Edenor S.A. reported as new event, under the terms of Section 365 of the Federal Code of Civil and Commercial Procedure, the issuance by the SE of Resolution 32/15. After notice was served, the court rejected the treatment thereof as an "event", holding the Company liable for costs. The Company filed an appeal, which was admitted "with a postponed effect" (i.e. the Appellate Court will grant or reject the appeal when deciding on the granting or rejection of the appeal against final judgment). On October 16, 2015, the Attorney General's Office requested to borrow the records for a term of 20 days, which were returned on December 1, 2015, in order to control the work done by the state's attorneys. On December 4, 2015, the Company requested the suspension of the procedural time-limits under the terms of section 157 of the Federal Code of Civil and Commercial Procedure, in accordance with the provisions of SE Resolution 32/15, notice of which has been served upon the defendant. On February 16, 2016, the Company reiterated the request due to the revocation of SE Resolution 32/15.

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

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

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

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

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

Amount: \$ 5,464,418.71

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

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

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

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

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

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

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

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

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

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

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

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

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

9. Property, plant and equipment

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

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

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

	Lands and buildings	Substations	High, medium and low voltage lines	Meters and Transformer chambers and platforms	Tools, Furniture, vehicles, equipment, communications and advances to suppliers	Construction in process	Supplies and spare parts	Total
At 12.31.13								
Cost	133,155	1,367,062	3,778,595	1,769,798	538,668	1,042,590	50,577	8,680,445
Accumulated depreciation	(37,052)	(501,649)	(1,872,408)	(713,878)	(366,151)	-	-	(3,491,138)
Net amount	96,103	865,413	1,906,187	1,055,920	172,517	1,042,590	50,577	5,189,307
Additions	-	-	-	-	12,666	1,603,496	85,611	1,701,773
Disposals	-	(62)	(622)	(273)	(2)	-	-	(959)
Transfers	29,037	81,682	310,166	183,893	80,873	(685,651)	-	-
Depreciation for the year	(7,769)	(39,061)	(92,274)	(59,499)	(39,036)	-	-	(237,639)
Net amount 12.31.14	117,371	907,972	2,123,457	1,180,041	227,018	1,960,435	136,188	6,652,482
At 12.31.14								
Cost	162,192	1,444,310	4,086,201	1,953,167	632,114	1,960,435	136,188	10,374,607
Accumulated depreciation	(44,821)	(536,338)	(1,962,744)	(773,126)	(405,096)	-	-	(3,722,125)
Net amount	117,371	907,972	2,123,457	1,180,041	227,018	1,960,435	136,188	6,652,482

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

EDENOR S.A.

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

Acquisition of real property:

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

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

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

10. Financial instruments

10.1 Financial instruments by category

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

EDENOR S.A.

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

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

Financial instruments categories have been determined based on IFRS 9.

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

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

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

	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Non-financial instruments	Total
As of December 31, 2015				
Interest expense	(429,899)	-	-	(429,899)
Other financial results	(22,880)	-	-	(22,880)
Exchange differences	(914,844)	-	-	(914,844)
Total	(1,367,623)	-	-	(1,367,623)
As of December 31, 2014				
Interest expense	(576,504)	-	-	(576,504)
Other financial results	(20,224)	-	-	(20,224)
Exchange differences	(453,410)	-	-	(453,410)
Net gain from the repurchase of Corporate Notes	44,388	-	-	44,388
Total	(1,005,750)	-	-	(1,005,750)

10.2 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired may be assessed based on external credit ratings or historical information:

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

- (i) *Relates to customers with debt to become due.*
(ii) *Relates to customers with up to 3 months past due debt.*
(iii) *Relates to customers with 3 to 12 months past due debt.*
(iv) *Relates to customers with more than 12 months past due debt.*

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

EDENOR S.A.

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

11. Other receivables

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

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

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

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

EDENOR S.A.

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

The aging analysis of other receivables is as follows:

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

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

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

At the statement of financial position date, the maximum exposure to credit risk is the carrying amount of each class of other receivables.

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

	12.31.15	12.31.14
Argentine pesos	1,222,444	496,735
US dollars	11,193	2,807
Total other receivables	1,233,637	499,542

12. Trade receivables

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

(1) Net of stabilization factor.

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

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

The aging analysis of these trade receivables is as follows:

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

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

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

At the statement of financial position date, the maximum exposure to credit risk is the carrying amount of each class of trade receivables.

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

	12.31.15	12.31.14
Argentine pesos	963,005	882,949
Total other receivables	963,005	882,949

Sensitivity analysis:
5% increase in the uncollectibility rate estimate

	12.31.15
Contingencies change	82,539
	2,917

5% decrease in the uncollectibility rate estimate

	12.31.15
Contingencies change	76,706
	(2,917)

13. Financial assets at fair value through profit or loss

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

EDENOR S.A.

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

14. Inventories

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

15. Cash and cash equivalents

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

16. Share capital and additional paid-in capital

As of December 31, 2015, the Company's share capital amounts to 906,455,100 shares, divided into 462,292,111 common, book-entry Class A shares with a par value of one peso each and the right to one vote per share; 442,210,385 common, book-entry Class B shares with a par value of one peso each and the right to one vote per share; and 1,952,604 common, book-entry Class C shares with a par value of one peso each and the right to one vote per share.

Listing of the Company's shares

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

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

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

Acquisition of the Company's own shares

During fiscal year 2008, the Company acquired 9,412,500 Class B treasury shares with a nominal value of 1 peso. The amount disbursed to acquire these shares totaled \$ 6.13 million, which was deducted from unappropriated retained earnings of the equity attributable to the owners of the Company at that date. At the date of these financial statements, these shares are held as "treasury stock". The Company is entitled to reissue these shares at a future date.

On November 18, 2014, the Company held the General Annual Meeting which resolved by majority of votes to extend for another 3 years the term for holding the treasury shares acquired within the framework of section 68 of Law No. 17,811 (text consolidated by Decree 677/01). All the shares issued have been fully paid-in.

17. Allocation of profits**Restrictions on the distribution of dividends**

- i. In accordance with the provisions of Law No. 19,550, the General Annual Meeting held on April 29, 2014 resolved that the profit for the year ended December 31, 2013 be absorbed by the Retained Earnings account.
- ii. In accordance with the provisions of Law No. 25,063, passed in December 1998, dividends to be distributed, whether in cash or in kind, in excess of accumulated taxable profits at the fiscal year-end immediately preceding the date of payment or distribution, shall be subject to a final 35% income tax withholding, except for those dividends distributed to shareholders who are residents of countries benefiting from conventions for the avoidance of double taxation who will be subject to a lower tax rate.
- iii. Additionally, as indicated in Note 2, and in accordance with the Adjustment Agreement entered into between Edenor S.A. and the Federal Government, there are certain restrictions on the distribution of dividends by the Company and the ENRE's approval for any distribution is necessary.
- iv. In accordance with the provisions of Argentine Business Organizations Law No. 19,550, not less than five percent (5%) of the net profit arising from the statement of income for the year must be allocated to the legal reserve, until it equals twenty percent (20%) of the share capital. No charge has been recorded for this concept in the year being reported.
- v. Recording of legal reserve for up to the amount absorbed, as resolved by the General Annual Meeting held on April 27, 2012.
- vi. MEyM Resolution No. 7/16, issued after the closing date of the year being reported, provides that the Company shall not distribute dividends in accordance with clause 7.4 of the Adjustment Agreement.

18. Trade payables

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

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

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

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

19. Other payables

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

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

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

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

20. Deferred revenue

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

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

21. Borrowings

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

(1) Net of debt repurchase and issuance expenses.

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

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

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

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

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

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

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

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

Balance at 12.31.2012	1,350,532
Principal repaid	(424)
Interest paid	(155,251)
Repurchase of Corporate Notes	(91,638)
Gain from the repurchase of Corporate Notes	(52,848)
Exchange difference and interest accrued	490,814
Cost capitalized	91,218
Balance at 12.31.2013	1,632,403
Interest paid	(172,923)
Exchange difference and interest accrued	961,519
Costs capitalized	88,774
Balance at 12.31.2014	2,509,773

THE COMPANY'S BORROWINGS

Corporate notes programs

The Company is included in a Corporate Notes program, the relevant information of which is detailed below:

Debt issued in United States dollars

Corporate Notes	Class	Rate	Year of Maturity	Million of USD		Million of \$	
				Debt structure at 01.01.15	Debt repurchase	Debt structure at 12.31.15	At 12.31.15
Fixed Rate Par Note	7	10.5	2017	14.76	-	14.76	192.47
Fixed Rate Par Note (1)	9	9.75	2022	172.17	-	172.17	2,268.51
Total				186.93	-	186.93	2,460.98

Corporate Notes	Class	Rate	Year of Maturity	Million of USD		Million of \$	
				Debt structure at 01.01.14	Debt repurchase (2)	Debt structure at 12.31.14	At 12.31.14
Fixed Rate Par Note	7	10.5	2017	14.76	-	14.76	126.21
Fixed Rate Par Note (1)	9	9.75	2022	186.12	(13.95)	172.17	1,472.23
Total				200.88	(13.95)	186.93	1,598.44

(1) Net of issuance expenses.

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

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

The main covenants are the following:

i. Negative Covenants

The terms and conditions of the Corporate Notes include a number of negative covenants that limit the Company's actions with regard to, among others, the following:

- encumbrance or authorization to encumber its property or assets;
- incurrence of indebtedness, in certain specified cases;
- sale of the Company's assets related to its main business;
- carrying out of transactions with shareholders or related companies;
- making certain payments (including, among others, dividends, purchases of Edenor's common shares or payments on subordinated debt).

ii. Suspension of Covenants:

Certain negative covenants stipulated in the terms and conditions of the Corporate Notes will be suspended or adapted if:

- The Company's long-term debt rating is raised to Investment Grade, or
- The Company's Level of Indebtedness calculated on the shareholders' equity is equal to or lower than 2.5.

If the Company subsequently losses its Investment Grade rating or its Level of Indebtedness is higher than 2.5, as applicable, the suspended negative covenants will be once again in effect.

At the date of issuance of these financial statements, the previously mentioned ratios have been complied with.

22. Salaries and social security taxes

a. Salaries and social security taxes payable

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

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

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

EDENOR S.A.

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

Early retirements payable correspond to individual optional agreements. After employees reach a specific age, the Company may offer them this option. The related accrued liability represents future payment obligations which as of December 31, 2015 and 2014 amount to \$ 4.5 million and \$ 2.2 million (current) and \$ 6.3 million and \$ 3.1 million (non-current), respectively.

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

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

23. Benefit plans

The defined benefit plans granted to Company employees consist of a bonus for all the employees who have the necessary years of service and have made the required contributions to retire under ordinary retirement plans.

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

	12.31.15	12.31.14
Non-current	204,386	150,355
Current	28,291	10,566
Total Benefit plans	232,677	160,921

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

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

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

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

	12.31.15	12.31.14
Cost	29,241	8,080
Interest	60,013	43,345
Actuarial results - Other comprehensive loss	3,678	17,823
	92,932	69,248

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

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

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

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

Sensitivity analysis:

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

The expected payments of benefits are as follow:

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

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

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

In order to determine the mortality of the Company active personnel, the “1971 Group Annuity Mortality” table has been used. In general, a mortality table shows for each age group the probability that a person in any such age group will die before reaching a predetermined age. Male and female mortality tables are elaborated separately inasmuch as men and women’s mortality rates are substantially different.

In order to estimate total and permanent disability due to any cause, 80% of the “1985 Pension Disability Study” table has been used.

In order to estimate the probability that the Company active personnel will leave the Company or stay therein, the “ESA 77” table has been used.

Liabilities related to the above-mentioned benefit plans have been determined contemplating all the rights accrued by the beneficiaries of the plans through the closing date of the year ended December 31, 2015.

These benefits do not apply to key management personnel.

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

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

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

EDENOR S.A.

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

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

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

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

	12.31.15	12.31.14
Deferred tax	(38,406)	154,356
Current tax	(145,324)	-
Income tax expense	(183,730)	154,356

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

	12.31.15	12.31.14
Profit (Loss) before taxes	1,326,173	(934,072)
Applicable tax rate	35%	35%
(Loss) Gain Profit at the tax rate	(464,161)	326,925
Gain from interest in joint ventures	-	2
Non-taxable income / Non-deductible loss	44,595	-
Difference between provision and tax return	(42,332)	10,521
Other	-	(25)
Subtotal	(461,898)	337,423
Unrecognized net deferred tax assets/liabilities	282,399	(183,067)
Expiration of tax loss-carryforwards	(4,231)	-
Income tax expense	(183,730)	154,356

25. Tax liabilities

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

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

EDENOR S.A.

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

The income tax liability is comprised of the following:

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

26. Assignments of use

- As assignee**

The features that these assignments of use have in common are that payments (installments) are established as fixed amounts; there are neither purchase option clauses nor renewal term clauses (except for the assignment of use contract of the Energy Handling and Transformer Center that has an automatic renewal clause for the term thereof); and there are prohibitions such as: transferring or sub-leasing the building, changing its use and/or making any kind of modifications thereto. All operating assignment of use contracts have cancelable terms and assignment periods of 2 to 13 years.

Among them the following can be mentioned: commercial offices, two warehouses, the headquarters building (comprised of administration, commercial and technical offices), the Energy Handling and Transformer Center (two buildings and a plot of land located within the perimeter of Central Nuevo Puerto and Puerto Nuevo) and Las Heras substation.

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

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

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

	12.31.15	12.31.14
Total lease expenses	38,569	31,043

EDENOR S.A.

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

• **As assignor**

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

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

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

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

	12.31.15	12.31.14
Total lease income	76,417	57,463

27. Provisions

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

EDENOR S.A.

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

28. Revenue from sales

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

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

29. Expenses by nature

The detail of expenses by nature is as follows:

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

The expenses included in the chart above are net of the Company's own expenses capitalized in property, plant and equipment as of December 31, 2015 for \$ 271.6 million.

EDENOR S.A.

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

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

The expenses included in the chart above are net of the Company's own expenses capitalized in property, plant and equipment as of December 31, 2014 for \$ 156 million.

30. Other operating expense, net

	12.31.15	12.31.14
Other operating income		
Services provided to third parties	53,621	33,305
Commissions on municipal taxes collection	14,775	12,040
Other net income with Related Companies	6,188	5,020
Recovery of allowance of trade receivables and other receivables	-	1,839
Income from non-reimbursable customer contributions	764	764
Others	4,613	205
Total other operating income	79,961	53,173
Other operating expense		
Net expense from technical services	(12,900)	(16,236)
Gratifications for services	(43,192)	(24,985)
Cost for services provided to third parties	(52,421)	(25,265)
Severance paid	(11,801)	(8,202)
Debit and Credit Tax	(85,138)	(64,720)
Other expenses - FOCED	(59,563)	(97,701)
Provision for contingencies	(226,449)	(75,417)
Disposals of property, plant and equipment	(3,513)	(959)
Related parties (Note 33.b)	(679)	(1,230)
Other	(6,851)	(3,963)
Total other operating expense	(502,507)	(318,678)

EDENOR S.A.

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

31. Net financial expense

	12.31.15	12.31.14
<u>Financial income</u>		
Commercial interest	46,109	43,265
Financial interest	50,116	192,269
Total financial income	96,225	235,534
<u>Financial expenses</u>		
Interest and other (1)	(233,769)	(111,356)
Fiscal interest	(3,652)	(5,477)
Commercial interest (3)	(192,478)	(459,671)
Bank fees and expenses	(20,117)	(15,509)
Total financial expenses	(450,016)	(592,013)
<u>Other financial results</u>		
Exchange differences	(894,773)	(427,896)
Adjustment to present value of receivables	5,387	8,128
Changes in fair value of financial assets (2)	350,543	71,029
Net gain from the repurchase of Corporate Notes	-	44,388
Other financial expense	(22,880)	(20,224)
Total other financial expense	(561,723)	(324,575)
Total net financial expense	(915,514)	(681,054)

- (1) Net of interest capitalized as of December 31, 2015 and 2014 for \$ 255.9 million and \$ 123.9 million, respectively.
- (2) Includes changes in the fair value of financial assets on cash equivalents as of December 31, 2015 and 2014 for \$ 26.9 million and \$ 17.6 million, respectively.
- (3) Net of the profit recorded due to the agreement with CAMMESA described in Note 2.c.IX).

32. Basic and diluted earnings (loss) per share

Basic

The basic earnings (loss) per share are calculated by dividing the result attributable to the holders of the Company's equity instruments by the weighted average number of common shares outstanding as of December 31, 2015 and 2014, excluding common shares purchased by the Company and held as treasury shares.

The basic earnings (loss) per share coincide with the diluted earnings (loss) per share, inasmuch as the Company has issued neither preferred shares nor corporate notes convertible into common shares.

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

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

33. Related-party transactions

- The following transactions were carried out with related parties:

a. Income

<i>Company</i>	<i>Concept</i>	12.31.15	12.31.14
CYCSA	Other income	6,188	5,018
PYSSA	Advertising on EDENOR bill	-	2
		6,188	5,020

b. Expense

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

c. Key management personnel's remuneration

	12.31.15	12.31.14
Salaries	70,545	54,853
	70,545	54,853

- The balances with related parties are as follow:

d. Receivables and payables

	12.31.15	12.31.14
<u>Other receivables - Non current</u>		
SACME	7,065	7,366
	7,065	7,366
<u>Other receivables - Current</u>		
CYCSA	6,406	86
SACME	662	667
PYSSA	8	-
	7,076	753

EDENOR S.A.

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

	<u>12.31.15</u>	<u>12.31.14</u>
<u>Other payables</u>		
SACME	<u>(3,447)</u>	<u>(2,706)</u>
	<u>(3,447)</u>	<u>(2,706)</u>
e. Borrowings		
	<u>12.31.15</u>	<u>12.31.14</u>
<u>Borrowings - Non current</u>		
PISA	<u>(119,877)</u>	<u>-</u>
	<u>(119,877)</u>	<u>-</u>
<u>Borrowings - Current</u>		
PISA	<u>(2,110)</u>	<u>-</u>
	<u>(2,110)</u>	<u>-</u>

The other receivables with related parties are not secured and do not accrue interest. No allowances have been recorded for these concepts in any of the periods covered by these financial statements.

- The agreements entered into with related parties in 2015 are detailed below:

(a) Agreement with Comunicaciones y Consumos S.A.

During 2007 and 2008, the Company and Comunicaciones y Consumos S.A. (CYCSA) entered into agreements pursuant to which the Company granted CYCSA the exclusive right to provide telecommunications services to the Company customers through the use of the Company's network in accordance with the provisions of Executive Order 764/2000 of the Federal Government, which contemplates the integration of voice, data and image transmission services through the existing infrastructure of electricity distribution companies such as the Company's network, as well as the right to use the poles and towers of overhead lines under certain conditions. Additionally, the Company has the right to use part of the optical fiber capacity. In accordance with the terms of the agreement, CYCSA will be responsible for all maintenance expenses and expenses related to the adapting of the Company's network for the rendering of such telecommunications services. The term of the agreement, which was originally ten years to commence from the date on which CYCSA's license to render telecommunications services were approved, was subsequently extended to 20 years by virtue of an addendum to the agreement. In consideration of the use of the network, CYCSA grants the Company 2% of the annual charges collected from customers, before taxes, as well as 10% of the profits obtained from provision of services.

(b) Agreement with SACME

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

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

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

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

(c) Agreement with EASA.

The agreement stipulates the provision to the Company of technical advisory services on financial matters for a term of five years to commence as from September 19, 2015. The term of the agreement will be extended if so agreed by the parties. In consideration of these services, the Company pays EASA an annual amount of USD 2.5 million. Any of the parties may terminate the agreement at any time by giving 60 days' notice, without having to comply with any further obligations or paying any indemnification to the other party.

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

34. Trust for the Management of Electric Power Transmission Works (FOTAE)

Due to the constant increase recorded in the demand for electricity as a result of the economic recovery, the SE, through Resolution 1875 dated December 5, 2005, established that the interconnection works through an underground power cable at two hundred and twenty kilovolts (220 kV) between Costanera and Puerto Nuevo Transformer Stations with Malaver Transformer Station were necessary. These works require not only the execution of expansion works but also new layout-designs of the high-voltage subsystems of Edenor S.A. and Edesur S.A.'s networks. In addition, it established that a fraction of the electricity rate increase granted to distribution companies by ENRE Resolution 51/07 (as mentioned in Note 2.c.I), would be used to finance up to 30% of the total execution cost of these works, with the remaining 70% of the total cost of the works being absorbed by the MEM's demand. Fund inflows and outflows related to the aforementioned expansion works are managed by the Works Trust Fund SE Resolution 1/03, which will act as the link among CAMMESA, the Contracting Distribution Companies and the companies that would have been awarded the contracts for the provision of engineering services, supplies and main pieces of equipment as well as those for the execution of the works and provision of minor supplies.

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

In accordance with the agreements entered into on August 16, 2007 by and between the Company and the SE and on December 18, 2008 by and between the Company and Banco de Inversión y Comercio Exterior, in its capacity as Trustee of the Trust for the Management of Electric Power Transmission Works (FOTAE), the Company is responsible for the development of all the stages of the project, regardless of the oversight tasks to be performed by the Works Commission SE Resolution 1/03. The agreement stipulates that the Company will be in charge of the operation and the planned and reactive maintenance of the facilities comprising the expansion works, being entitled to receive as remuneration for the tasks and obligations undertaken 2% of the cost of major equipment and 3% of all the costs necessary for the carrying out of civil engineering and electromechanical assembly works related to the Malaver-Colegiales and Malaver-Costanera electrical transmission lines, the expansion of Malaver Substation and the remaining expansion works of Puerto Nuevo Substation.

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

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

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

35. Merger process – EMDERSA HOLDING S.A.

On December 20, 2013, the Company Extraordinary Shareholders' Meeting approved the merger of Emdersa Holding S.A. (as the acquired company, which will be dissolved without liquidation) with and into Edenor S.A. (as the acquiring and surviving company), as well as all the documentation and information required for such purpose by the applicable regulations. The effective reorganization date for legal, accounting and tax purposes is retroactive to October 1, 2013. At the date of issuance of these financial statements, the administrative approval thereof by the *Inspección General de Justicia* (Argentine governmental regulatory agency of corporations) is in process.

36. Electric works arrangement - Agreement for the supply of electric power to Mitre and Sarmiento railway lines

In September 2013, the Company and the Interior and Transport Ministry entered into a supply and financial contribution arrangement pursuant to which the Federal Government will finance the necessary electric works aimed at adequately meeting the greater power requirements of the Mitre and Sarmiento railway lines.

The total cost of the works amounts to \$ 114.3 million. The Federal Government will bear the costs of the so called "exclusive facilities", which amount to \$ 59.9 million, whereas the costs of the remaining works will be financed by the Federal Government and reimbursed by the Company.

The financed amount of \$ 54.4 million will be reimbursed by the Company in seventy-two monthly and consecutive installments, as from the first month immediately following the date on which the Works are authorized and brought into service.

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

37. Construction works - San Miguel and San Martín Transformer Centers

The Company carried out construction works of a 7.3 km-long electrical transmission line consisting of four 13.2 kV lines in trefoil formation to link Rotonda Substation with San Miguel Transformer Center, owned by ENARSA, necessary for the provision of electric power generation services; and a 6.2 km-long electrical transmission line consisting of a 13.2 kV line in trefoil formation to link Rotonda Substation with San Martín Transformer Center, owned by ENARSA.

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

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

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

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

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

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

39. Safekeeping of documentation

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

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

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

40. Events after the reporting periodExtraordinary bonus granted to employees

On January 18, 2016, the Company entered into two agreements, one with the *Sindicato de Luz y Fuerza de Capital Federal* and another one with the *Asociación del Personal Superior de Empresas de Energía*, pursuant to which the Company agreed to grant, on a voluntary and one-time basis, to all the employees who are subject to the collective bargaining agreements of the aforementioned union/association an extraordinary bonus of \$ 5,000 to be paid in two installments of \$ 2,000 and \$ 3,000 on January 21 and March 21, 2016, respectively.

The payment of the aforementioned bonus was extended to all Company employees.

41. 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, statements of comprehensive income, changes in equity or cash flows in accordance with accounting principles generally accepted in the countries of users of the financial statements, other than Argentina.

RICARDO TORRES
Chairman

