

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

	Low	High	Average	Period End
	(Pesos per U.S. Dollar)			
<b>Year ended December 31,</b>				
2010	3.79	3.99	3,91 <sup>(1)</sup>	3.98
2011	3.97	4.30	4,13 <sup>(1)</sup>	4.30
2012	4.30	4.92	4,55 <sup>(1)</sup>	4.92
2013	4.93	6.52	5,48 <sup>(1)</sup>	6.52
2014	6.54	8.56	8,23 <sup>(1)</sup>	8.55
<b>Month</b>				
October 2014	8,45 <sup>(2)</sup>	8,50 <sup>(2)</sup>	8.48	8.50
November 2014	8,51 <sup>(2)</sup>	8,53 <sup>(2)</sup>	8.51	8.53
December 2014	8,53 <sup>(2)</sup>	8,56 <sup>(2)</sup>	8.55	8.55
January 2015	8,55 <sup>(2)</sup>	8,64 <sup>(2)</sup>	8.60	8.64
February 2015	8,65 <sup>(2)</sup>	8,73 <sup>(2)</sup>	8.68	8.73
March 2015	8,73 <sup>(2)</sup>	8,82 <sup>(2)</sup>	8.78	8.82
April 2015	8,82 <sup>(2)</sup>	8,91 <sup>(2)</sup>	8.87	8.91
May 2015 <sup>(3)</sup>	8,91 <sup>(4)</sup>	8,93 <sup>(4)</sup>	8.92	8.93

Source: Banco Nación

(1) Represents the average of the exchange rates on the last day of each month during the period.

(2) Average of the lowest and highest daily rates in the month.

(3) Represents the corresponding exchange rates from May 1 through May 11, 2015.

(4) Represents the average of the lowest and highest daily rates from May 1 through May 11, 2015.

## RISK FACTORS

### Risks Related to Argentina

#### Overview

We are a stock corporation (*sociedad anónima*) incorporated under the laws of the Republic of Argentina and substantially all of our revenues are earned in Argentina and substantially all of our operations, facilities, and customers are located in Argentina. Accordingly, our financial condition and results of operations depend to a significant extent on macroeconomic, regulatory, political and financial conditions prevailing in Argentina, including growth, inflation rates, currency exchange rates, interest rates, and other local, regional and international events and conditions that may affect Argentina in any manner. For example, slower economic growth or economic recession could lead to a decreased demand for electricity in our concession area or to a decline in the purchasing power of our customers, which, in turn, could lead to a decrease in collection rates from our customers or increased energy losses due to illegal use of our service. Actions of the Argentine government concerning the economy, including decisions with respect to inflation, interest rates, price controls (including tariffs and other compensation of public services), foreign exchange controls and taxes, have had and could continue to have a material adverse effect on private sector entities, including us. For example, during the Argentine economic crisis of 2001, the Argentine government froze electricity distribution margins and caused the pesification of our tariffs, which had a materially adverse effect on our business and financial condition and led us to suspend payments on our financial debt at the time.

We cannot assure you that the current or next Argentine government will not adopt other policies that could adversely affect the Argentine economy or our business, financial condition or results of operations. In addition, we cannot assure you that future economic, regulatory, social and political developments in Argentina will not impair our business, financial condition or results of operations or cause the market value of our ADSs and Class B common shares to decline.

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

The effects of a global or regional credit crisis and related turmoil in the global financial system may have a negative impact on our business, financial condition and results of operations, an impact that is likely to be more severe on an emerging market economy, such as Argentina. The effect of such an economic crisis on our customers and on us cannot be predicted. Weak economic conditions could lead to reduced demand or lower prices for energy, which could have a negative effect on our revenues. Economic factors such as unemployment, inflation and the availability of credit could also have a material adverse effect on demand for energy and, therefore, on our financial condition and operating results. The financial and economic situation in Argentina or other countries in Latin American, such as Brazil, may also have a negative impact on third parties with whom we do, or may do, business. In addition, our ability to access credit or capital markets may be restricted at a time when we would need financing, which could have an impact on our flexibility to react to changing economic and business conditions (see "Argentina's ability to obtain financing from international markets is limited, which may impair its ability to implement reforms and foster economic growth, and consequently, may affect our business, results of operations and prospects for growth"). For these reasons, any of the foregoing factors or a combination of them could have an adverse effect on our results of operations and financial condition and cause the market value of our ADSs and Class B common shares to decline.

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

Sustainable economic growth in Argentina is dependent on a variety of factors, including the international demand for Argentine exports, the stability and competitiveness of the Argentine Peso against foreign currencies, the confidence among consumers and foreign and domestic investors and a stable rate of inflation.

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

- GDP growth has declined and employment is beginning to show some signals of weakness;
- inflation remains high and threatens to continue at those levels;
- investment as a percentage of GDP remains too low to sustain the growth rate of recent years;
- the availability of long-term credit is scarce, while international financing remains limited;
- the regulatory environment continues to be uncertain;
- in the climate created by the above-mentioned conditions, demand for foreign currency has grown, generating a capital flight effect to which the Argentine government has responded with regulations and currency exchange and transfer restrictions, and it is widely reported that in other countries where the Peso is traded, the Peso/U.S. Dollar exchange rate differs substantially from the official exchange rate in Argentina; and
- previous GDP performance has depended to some extent on high commodity prices which, despite having a favorable long-term trend, are volatile in the short-term and beyond the control of the Argentine government.

As in the recent past, Argentina's economy may be adversely affected if political and social pressures inhibit the implementation by the Argentine government of policies designed to control inflation, generate growth and enhance consumer and investor confidence, or if policies implemented by the Argentine government that are designed to achieve these goals are not successful. These events could materially adversely affect our financial condition and results of operations, or cause the market value of our ADSs and our Class B common shares to decline.

We cannot assure you that a decline in economic growth, increased economic instability or the expansion of economic policies and measures taken by the Argentine government to control inflation or address other macroeconomic developments that affect private sector entities such as us, all developments over which we have no control, would not have an adverse effect on our business, financial condition or results of operations or would not have a negative impact on the market value of our ADSs and our Class B common shares.

***The impact of inflation in Argentina on our costs could have a material adverse effect on our results of operations***

Inflation has, in the past, materially undermined the Argentine economy and the Argentine government's ability to create conditions that permit growth. In recent years, Argentina has confronted inflationary pressures, evidenced by significantly higher fuel, energy and food prices, among other factors. According to data published by the *Instituto Nacional de Estadística y Censos* (National Statistics and Census Institute or "INDEC"), the rate of inflation reached 10.0% in 2012, 10.6% in 2013 and 21.4% in 2014. The Argentine government has implemented programs to control inflation and monitor prices for essential goods and services, including freezing the prices of supermarket products, and price support arrangements agreed between the Argentine government and private sector companies in several industries and markets.

A high inflation environment would undermine Argentina's foreign competitiveness by diluting the effects of the Argentine Peso devaluation, negatively impact the level of economic activity and employment and undermine confidence in Argentina's banking system, which could further limit the availability of domestic and international credit to businesses. In turn, a portion of the Argentine debt is adjusted by the *Coefficiente de Estabilización de Referencia* (Stabilization Coefficient, or "CER"), a currency index, that is strongly related to inflation. Therefore, any significant increase in inflation would cause an increase in the Argentine external debt and consequently in Argentina's financial obligations, which could exacerbate the stress on the Argentine economy. A continuing high inflation environment could undermine our results of operations as a result of a delay in our ability to, or our inability to, adjust our tariffs accordingly; it could adversely affect our ability to finance the working capital needs of our businesses on favorable terms; and it could adversely affect our results of operations and cause the market value of our ADSs and Class B common shares to decline.

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

In January 2007, INDEC modified its methodology used to calculate the consumer price index (the "CPI"), which is calculated as the monthly average of a weighted basket of consumer goods and services that reflects the pattern of consumption of Argentine households. Since then, the credibility of the CPI, as well as other indexes published by the INDEC has been affected. As a result of the uncertainty relating to the accuracy of INDEC indices, the inflation rate of Argentina and the other rates calculated by INDEC could be higher than as indicated in official reports.

On November 23, 2010, the Argentine government began consulting with the IMF for technical assistance in order to prepare a new national consumer price index with the aim of modernizing the current statistical system. In its meeting held on February 1, 2013, the Executive Board of the IMF found that Argentina's progress in implementing remedial measures since September 2012 had not been sufficient. As a result, the IMF issued a declaration of censure against Argentina in connection with the breach of its related obligations to the IMF under the Articles of Agreement and called on Argentina to adopt remedial measures to address the inaccuracy of inflation and GDP data without further delay.

In order to address the quality of official data, a new price index was put in place on February 13, 2014. The new price index represents the first national indicator to measure changes in prices of final consumption by households. While the previous price index only measured inflation in the urban sprawl of the City of Buenos Aires, the new price index is calculated by measuring prices on goods across the entire urban population of the 24 provinces of Argentina. Pursuant to these calculations, the new consumer price index rose to 21.4% in 2014. Even though the new methodology brought inflation statistics closer to those estimated by private sources, there is still a material difference between official inflation data and private estimates.

Any further required correction or restatement of the INDEC indices could result in a decrease in confidence in Argentina's economy, which could, in turn, have an adverse effect on our ability to access international capital markets to finance our operations and growth, and which could, in turn, adversely affect our results of operations and financial condition and cause the market value of our ADSs and Class B common shares to decline.

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

In 2005, Argentina restructured part of its sovereign debt that had been in default since the end of 2001. The Argentine government announced that as a result of this restructuring, it had approximately U.S.\$129.2 billion in total gross public debt as of December 31, 2005. Holdout creditors that declined to participate in the exchanges commenced numerous lawsuits against Argentina in several countries, including the United States, Italy, Germany, and Japan. Since late 2012, rulings favorable to those bondholders have deepened doubts about Argentina's ability to service its restructured debt under the terms of foreign judgments, and exacerbated investors' uncertainties. In 2013, the Argentine Congress approved a law that enables the government to take the necessary measures to complete the debt restructuring process, on terms that cannot exceed those of the previous debt exchanges. On August 23, 2013, the United States Second Circuit Court of Appeals ruled in favor of the bondholders. On November 18, 2013, the Second Circuit Court of Appeals denied Argentina's petition for a rehearing. On June 16, 2014, the United States Supreme Court denied Argentina's certiorari petition and affirmed the Court of Appeals decision. Consequently, on June 18, 2014, the Court of Appeals lifted the stay of enforcement on the award granted by the United States District Court for the Southern District of New York, requiring Argentina to pay all amounts owed to holdout bondholders on the next payment to holders of restructured debt.

Argentina has not yet honored the award or otherwise reached an agreement with its holdout bondholders. In addition, as a result of the orders issued by the District Court affecting third parties involved in the payment process, holders of certain restructured debt have not received payments on their bonds, technically rendering the country in default on its interest payments under such restructured indebtedness. We cannot assure that such indebtedness, to the extent of a continued default, shall not be accelerated by its holders. The ongoing dispute with the holdout bondholders may prevent Argentina from accessing the capital markets and limit the sources of funding and investment capital that are available to Argentina, and, therefore, the Argentine government's ability to promote economic growth.

On April 30, 2010, Argentina launched a new debt exchange directed to holders of the securities issued in the 2005 debt exchange and to holders of the securities that were eligible to participate in the 2005 debt exchange (other than Brady bonds) to exchange such debt for new securities and, in certain cases, a cash payment. As a result of the 2005 and 2010 exchange offers, Argentina restructured over 91% of the defaulted debt eligible for the 2005 and 2010 exchange offers. The creditors who did not participate in the 2005 or 2010 exchange offers may continue pursuing legal actions against Argentina for the recovery of debt, which could adversely affect Argentina's access to the international capital markets.

In May 2014, the Argentine government reached an agreement with the Secretary of the Paris Club to cancel the outstanding debt in an amount equal to approximately U.S.\$ 10 billion (including interest), in several installments during 5 years and starting in July 2014

In addition, foreign shareholders of several Argentine companies have filed claims before the International Centre for Settlement of Investment Disputes (the "ICSID") and the United Nations Commission on International Trade Law (the "UNCITRAL"), alleging that certain government measures adopted during the country's 2001 crisis were inconsistent with the fair and equitable treatment standards set forth in various bilateral investment treaties to which Argentina is a party. Since May 2005, certain plaintiffs have prevailed against Argentina in such proceedings. In October 2013, the Argentine government entered into settlement agreements with certain claimants worth U.S.\$677 million, to be satisfied with the delivery of newly issued sovereign bonds. Argentina's past default and its failure to completely restructure its remaining sovereign debt and fully negotiate with the holdout creditors may limit Argentina's ability to reenter the international capital markets. Litigation initiated by holdout creditors as well as ICSID and UNCITRAL claims have resulted and may continue to result in judgments and awards against the Argentine government which, if not paid, could prevent Argentina from obtaining credit from multilateral organizations. Judgment creditors have sought and may continue to seek to attach or enjoin assets of Argentina. An example of this is the Libertad Frigate case, in which a commercial court in Accra, Ghana, granted an order (which has been overturned) to detain an Argentine ship which had entered the Accra port on a routine trip. In addition, various creditors have organized themselves into associations to engage in lobbying and public relations efforts concerning Argentina's default on its public indebtedness. Over the years, such groups have unsuccessfully urged passage of federal and New York state legislation directed at Argentina's defaulted debt and aimed at limiting Argentina's access to the U.S. capital markets. Although neither the United States Congress nor the New York state legislature has adopted such legislation, we can make no assurance that legislation or other political actions designed to limit Argentina's access to capital markets will not take effect.

As a result of Argentina's default and the events that have followed it, the government may not have the financial resources necessary to implement reforms and foster economic growth, which, in turn, could have a material adverse effect on the country's economy and, consequently, our business and results of operations.

Furthermore, Argentina's inability to obtain credit in international markets could have a direct impact on our own ability to access international credit markets to finance our operations and growth, which could adversely affect our results of operations and financial condition and cause the market value of our ADSs and our Class B common shares to decline.

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

The devaluation of the Argentine Peso could have a negative impact on the financial condition of many Argentine businesses, including us. Such situation could negatively impact the ability of Argentine businesses to honor their foreign currency-denominated debt, lead to very high inflation, significantly reduce real wages, jeopardize the stability of businesses whose success depends on domestic market demand, including public utilities and the financial industry, and adversely affect the Argentine government's ability to honor its foreign debt obligations. After several years of moderate variations in the nominal exchange rate, in 2012, the peso lost approximately 14% of its value with respect to the U.S. Dollar. This was followed in 2013 and 2014 by a devaluation of the peso with respect to the U.S. dollar that exceeded 30%, including a loss of approximately 24% in January 2014. If the Argentine Peso devalues further, the negative effects on the Argentine economy could have adverse consequences to our businesses, our results of operations and the market value of our ADSs, including as measured in U.S. Dollars.

On the other hand, a significant appreciation of the Argentine Peso against the U.S. Dollar also presents risks for the Argentine economy, including the possibility of a reduction in exports (as a consequence of the loss of external competitiveness). Any such increase could also have a negative effect on economic growth and employment, reduce the Argentine public sector's revenues from tax collection in real terms, and have a material adverse effect on our business, our results of operations and the market value of our ADSs as a result of the weakening of the Argentine economy in general.

***Certain measures that may be taken by the Argentine government may adversely affect the Argentine economy and, as a result, our business and results of operations***

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

In November 2008, the Argentine government enacted Law No. 26,425 which provided for the nationalization of the Argentine private pension funds ("Administradoras de Fondos de Jubilaciones y Pensiones, the "AFJPs") (see "The nationalization of Argentina's private pension funds caused an adverse effect in the Argentine capital markets and increased the Argentine government's interest in certain stock exchange listed companies, such that the Argentine government became a significant shareholder of such companies"). Beginning in April 2012, the Argentine government provided for the nationalization of YPF S.A. and imposed major changes to the system under which oil companies operate, principally through the enactment of Law No. 26,741 and Decree No. 1,277/2012. In February 2014, the Argentine government and Repsol announced that they had reached agreement on the terms of the compensation payable to Repsol for the expropriation of the YPF shares. Such compensation amounted to US\$ 5 billion, payable by delivery of Argentine sovereign bonds with various maturities. Additionally, on December 19, 2012, the Argentine government issued Decree No. 2,552/2012 which, in its article 2, ordered the expropriation of the "Predio Rural de Palermo". However, on January 4, 2013, the Federal Civil and Commercial Chamber granted an injunction that has temporarily blocked the application of Decree No. 2,552/2012. We cannot assure you that these or other measures that may be adopted by the Argentine government, such as expropriation, nationalization, forced renegotiation or modification of existing contracts, new taxation policies, changes in laws, regulations and policies affecting foreign trade, investment, etc., will not have a material adverse effect on the Argentine economy and, as a consequence, adversely affect our financial condition, our results of operations and the market value of our shares and ADSs.

***Exchange controls and restrictions on capital inflows and outflows may continue to limit the availability of international credit and could threaten the financial system and lead to renewed political and social tensions, adversely affecting the Argentine economy, and, as a result, our business***

In 2001 and 2002, Argentina imposed exchange controls and transfer restrictions, substantially limiting the ability of companies to retain foreign currency or make payments abroad. After 2002, these restrictions, including those requiring the Central Bank's prior authorization for the transfer of funds abroad to pay principal and interest on debt obligations, were substantially eased through 2007. Since the last quarter of 2011, however, new regulation made foreign exchange transactions subject to the prior approval of the Argentine tax authorities. Through a combination of foreign exchange and tax regulations, the Argentine authorities have significantly curtailed access to the foreign exchange market by individuals and private-sector entities.

Since 2011, the Argentine government has adopted exchange controls such as requiring an authorization of tax authorities to access the foreign exchange market and introduced measures that have imposed limits on access to the foreign exchange market to retail transactions. It is widely reported that the Peso/U.S. Dollar exchange rate in the unofficial market substantially differs from the official Peso/U.S. Dollar exchange rate. See "Exchange Rates" and "Item 10—Exchange Controls." In addition to the foreign exchange restrictions, in June 2005 the Argentine government adopted various rules and regulations that established new restrictive controls on capital inflows into the country, including a requirement that, for certain funds remitted into Argentina, an amount equal to 30% of the funds must be deposited into an account with a local financial institution as a U.S. Dollar deposit for a one-year period without any accrual of interest, benefit or other use as collateral for any transaction.

The Argentine government could impose further exchange controls, transfer restrictions or restrictions on the movement of capital and/or take other measures in response to capital flight or a significant depreciation of the Peso, which could limit our ability to access the international capital markets and impair our ability to make interest or principal payments abroad. Such measures could lead to renewed political and social tensions and undermine the Argentine government's public finances, which could adversely affect Argentina's economy and prospects for economic growth, which, in turn, could adversely affect our business and results of operations and the market value of our shares and ADSs. In addition, the Argentine government or the Central Bank may reinstate certain restrictions on the transfers of funds abroad, impairing our ability to make dividend payments to holders of the ADSs, which may adversely affect the market value of our ADSs. As of the date of this annual report, however, the transfer of funds abroad to pay dividends is permitted to the extent such dividend payments are made in connection with audited financial statements approved by a shareholders' meeting of the Company. Notwithstanding the foregoing, as of the date of this annual report, in light of applicable regulations the financial situation of the Company does not permit the payment of dividends.

***The nationalization of Argentina's private pension funds caused an adverse effect in the Argentine capital markets and increased the Argentine government's interest in certain stock exchange listed companies, such that the Argentine government became a significant shareholder of such companies***

Prior to 2009, a significant portion of the local demand for securities of Argentine companies came from Argentine private pension funds. In response to the global economic crisis, in December 2008, by means of Argentine Law No. 26,425, the Argentine Congress unified the Argentine pension and retirement system into a system publicly administered by the National Social Security Agency (*Administración Nacional de la Seguridad Social*, or the "ANSES"), eliminating the pension and retirement system previously administered by private managers. In accordance with the new law, private pension managers transferred all of the assets administered by them under the pension and retirement system to the ANSES. With the nationalization of Argentina's private pension funds, the Argentine government, through ANSES became a significant shareholder in many of the country's public companies. In April 2011, the Argentine government lifted certain restrictions pursuant to which ANSES was prevented from exercising more than 5% of its voting rights in any stock exchange-listed company (regardless of the equity interest held by ANSES in such companies). ANSES has since exercised its voting rights in excess of such 5% limit in order to appoint directors in different stock exchange-listed companies in which it holds an interest exceeding 5%. ANSES's interests may differ from those of other investors and, consequently, those investors may understand that ANSES's actions might have an adverse effect on such companies. As of the date of this annual report, ANSES owns 26.8% of the capital stock of Edenor.

The Argentine government has exerted a stronger influence on the operation of stock exchange-listed companies. We cannot assure you that these or other similar actions taken by the Argentine government will not have an adverse effect on the Argentine economy and consequently on our financial condition and results of operations.

***The Argentine economy could be adversely affected by economic developments in other markets and by more general “contagion” effects***

Argentine financial and securities markets are influenced, to varying degrees, by economic and financial conditions in other markets and Argentina’s economy is vulnerable to external shocks, including those related or similar to the global economic crisis that began in 2008 and economic and financial conditions in Argentina’s major trading partners, in particular Brazil. For example, the current devaluation of the Brazilian currency and the slowdown of its economy may negatively affect the Argentine economy, and in turn, our business and results of operations. Although economic conditions can vary from country to country, investors’ perception of the events occurring in other countries have substantially affected in the past, and may continue to substantially affect capital flows to other countries and the value of securities in other countries, including Argentina. The Argentine economy was adversely impacted by the political and economic events that occurred in several emerging economies in the 1990s, including those in Mexico in 1994, the collapse of several Asian economies between 1997 and 1998, the economic crisis in Russia in 1998 and the Brazilian devaluation of its currency in January 1999.

In addition, international investors’ reactions to events occurring in one market sometimes demonstrate a “contagion” effect in which an entire region or class of investment is disfavored by international investors, Argentina could be adversely affected by negative economic or financial developments in other countries, which in turn may have material adverse effect on the Argentine economy and, indirectly, on our business, financial condition and results of operations, and the market value of our ADSs.

***Argentina’s economy is vulnerable to external shocks that could be caused by significant economic difficulties of its major regional trading partners***

Argentina’s economy is vulnerable to adverse developments affecting its principal trading partners. A significant decline in the economic growth of any of Argentina’s major trading partners, such as Brazil, China or the United States, could have a material adverse impact on Argentina’s balance of trade and adversely affect Argentina’s economic growth. Declining demand for Argentine exports, or a decline in the international market prices for those products, could have a material adverse effect on Argentina’s economic growth. The slowdown of Brazil’s economic growth in 2014, which has continued during the first quarter of 2015, has resulted in a contraction in demand for Argentine exports. A prolonged downturn in Brazil’s economy can be expected to adversely impact Argentina’s economic growth.

***The actions taken by the Argentine government to reduce imports may affect our ability to purchase significant capital goods***

The Argentine government has adopted some initiatives designed to limit the import of goods in order to prevent further deterioration of the Argentine balance of trade. The restriction of imports may limit or delay our ability to purchase capital goods that are necessary for our operations, which may, in turn, adversely affect our business, financial condition and results of operations.

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

Law No. 26,854, which regulates injunctions in cases in which the Argentine government is a party or has intervened, was promulgated on April 30, 2013 as part of a judicial reform bill approved by the Argentine Congress. Among the principal changes proposed in the judicial reform bill are a time limitation on injunctions imposed in proceedings brought against the Argentine government and the creation of three new chambers of Casación (which hear appeals) prior to the intervention of the Supreme Court of Justice of Argentina. In addition, Law No. 26,855, which became effective on May 27, 2013, modified the structure and functions of the Argentine *Consejo de la Magistratura* (judicial council), which is in charge of appointing judges, of presenting charges against them, and of suspending or deposing them. However, several aspects of the legislation have been struck down by the Supreme Court as unconstitutional and the long-term impact of the newly adopted legislation on Argentina’s legal system and future administrative and/or judicial proceedings, including potential future claims by us against the Argentine government, cannot yet be predicted.



## Risks Relating to the Electricity Distribution Sector

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

To address the Argentine economic crisis of 2001 and 2002, the Argentine government adopted the Public Emergency Law and other regulations, which made a number of material changes to the regulatory framework applicable to the electricity sector. These changes severely affected electricity generation, distribution and transmission companies and included the freezing of distribution nominal margins, the revocation of adjustment and inflation indexation mechanisms for tariffs, a limitation on the ability of electricity distribution companies to pass on to the consumer increases in costs due to regulatory charges and the introduction of a new price-setting mechanism in the WEM which had a significant impact on electricity generators and caused substantial price differences within the market. The Argentine government has continued to intervene in this sector by, for example, granting temporary nominal margin increases, proposing a new social tariff regime for residents of poverty-stricken areas, removing discretionary subsidies, creating specific charges to raise funds that are transferred to government-managed trust funds that finance investments in generation and distribution infrastructure and mandating investments for the construction of new generation plants and the expansion of existing transmission and distribution networks.

Furthermore, on November 15, 2011, the SE issued Note 8,752, which provided that any approval by the provincial governments of increases to the electricity tariffs applicable to end-users as of November 1, 2011 will trigger a proportionate decrease in the federal subsidy available to that end-user in connection with the purchase of electricity. Since the issuance of Note 8,752, certain provincial governments have initiated legal proceedings to challenge the jurisdiction of the SE to issue Note 8,752, particularly because of the potential chilling effect that this regulation may have on the ability of the provincial governments to increase electricity tariffs. As of the date of this annual report, at least one unfavorable ruling against the Argentine government has been rendered. These proceedings have not been resolved as of the date of this annual report. In addition to the foregoing, several provincial governments have enacted new regulations in order to charge electricity end-users amounts corresponding to the cuts in the federal subsidy.

On November 27, 2012, the SE issued Resolution 2016, which approved the seasonal WEM prices - subsidized and not subsidized - for the period from November 2012 through April 2013. The seasonal price format was modified, concluding in a single purchase price without considering any demand nor time segmentation and taking into account the structure of the demand as of October 2012 as the base. Subsequently, in June 2013, the SE adopted Resolution 408/13, which maintains both the single price and the criteria for raising subsidies during the winter season, with a reduction of the single price only for those months and a subsequent reversion of prices in October 2013. The Argentine government has also announced an analysis of new measures that would change the current regulatory framework of the energy sector. On March 26, 2013, the SE issued Resolution 95, which introduced a new scheme for the remuneration for the electricity generation sector and several modifications to the organization of the WEM, including the suspension of the administration of new contracts, or the renewal of existing contracts, in the term market of the WEM. The price scheme established by Resolution No. 95/2013 of the SE was amended by Resolution No. 529/2014 of the SE, which provided for the modification of the methodology for calculation of the fixed costs remuneration, the implementation of a new remuneration to cover extraordinary maintenance works for thermal generators and the retroactive adjustment of prices as from February 2014.

We cannot assure you that these or other measures that may be adopted by the Argentine government will not have a material adverse effect on our business and results of operations or on the market value of our shares and ADSs or that the Argentine government will not adopt emergency legislation similar to the Public Emergency Law or other similar resolutions in the future that may further increase our regulatory obligations, including increased taxes, unfavorable alterations to our tariff structures and other regulatory obligations, compliance with which would increase our costs and have a direct negative impact on our results of operations and cause the market value of our ADSs and Class B common shares to decline. See "Item 4. Information on the Company -Our Business Overview-Edenor Concession."



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

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

***Electricity demand may be affected by tariff increases, which could lead distribution companies, such as us, to record lower revenues***

During the 2001 and 2002 economic crisis, electricity demand in Argentina decreased due to the decline in the overall level of economic activity and the deterioration in the ability of many consumers to pay their electricity bills. In the years following the 2001 and 2002 economic crisis electricity demand experienced significant growth, increasing as an estimated average of approximately 4.5% per annum from 2003 through 2014. This increase in electricity demand since 2003, reflects the relative low cost, in real terms, of electricity to consumers due to the freezing of distribution margins, subsidies in the energy purchase price and the elimination of the inflation adjustment provisions in distribution concessions, coupled with the devaluation of the Peso and inflation. The Executive Branch of the Argentine government granted temporary increases in transmission and distribution margins, and transmission and distribution companies are currently negotiating further increases and adjustments to their tariff schemes with the Argentine government. Although the increases in electricity transmission and distribution margins, which increased the cost of electricity to residential customers, have not had a significant negative effect on demand, we cannot make any assurances that these increases or any future increases in the relative cost of electricity will not have a material adverse effect on electricity demand or a decline in collections from customers. Further, in November 2011, the Argentine government announced a cut in subsidies (which had no impact on our value added for distribution ("VAD")) for electricity granted to certain customers that are presumed to be in a position to afford the cost without such subsidies. In this respect, we cannot assure you that these measures or any future measures (including increases on tariffs for residential users) will not lead electricity companies, like us, to record lower revenues and results of operations than currently anticipated, which may, in turn, have a material adverse effect on the market value of our ADSs.

***If we experience continued energy shortages in the face of growing demand for electricity, our ability to deliver electricity to our customers could be adversely affected, which could result in customer claims, material penalties, government intervention and decreased results of operations***

In recent years, the condition of the Argentine electricity market has provided little incentive to generators and distributors to further invest in increasing their generation and distribution capacity, respectively, which would require material long-term financial commitments. As a result, the Argentine electricity market is currently operating at near full capacity and both generators and distributors may not be able to guarantee the supply of electricity to their customers, which could lead to a decline in growth of such companies. During December 2013, an increase in demand for electricity resulted in energy shortages and blackouts in Buenos Aires and other cities around Argentina. Under Argentine law, distribution companies, such as us, are responsible to their customers for any disruption in the supply of electricity. As a result, we could face customer claims and fines and penalties for service disruptions caused by energy shortages unless the relevant Argentine authorities determine that energy shortages constitute *force majeure*. To date, the Argentine authorities have not been called upon to decide under which conditions energy shortages may constitute *force majeure*. In the past, however, the Argentine authorities have taken a restrictive view of *force majeure* and have recognized the existence of *force majeure* only in limited circumstances, such as internal malfunctions at the customer's facilities, extraordinary meteorological events (such as major storms) and third-party work in public thoroughfares. Additionally, disruptions in the supply of electricity could expose us to intervention by the Argentine government, which warned of such possibility during the blackouts of December 2013. Such claims, fines, penalties or government intervention could have a materially adverse effect on our financial condition and results of operations, and cause the market value of our ADSs and Class B common shares to decline. See also "A potential nationalization or expropriation of 51% of our capital stock, represented by the Class A shares, may limit the capacity of the Class B common shares to participate in the board of directors."

## Risks Relating to Our Business

***Failure or delay to negotiate further improvements to our tariff structure, including increases in our distribution margin, and/or to have our tariffs adjusted to reflect increases in our distribution costs in a timely manner or at all, has affected our capacity to perform our commercial obligations and could also have a material adverse effect on our capacity to perform our financial obligations.***

Since execution of the agreement entered into with the Argentine government in February 2006 relating to the adjustment and renegotiation of the terms of our concession (the “Adjustment Agreement”) and as required by them, we have been engaged in an Integral Tariff Revision (Revisión Tarifaria Integral, or “RTI”) with the ENRE. However, the timeline for completing this process and the favorability to us of the final resolution are both uncertain.

The Adjustment Agreement currently contemplates a cost adjustment mechanism for the transition period during which the RTI is being conducted. This mechanism, known as the Cost Monitoring Mechanism (“CMM”), requires the ENRE to review our actual distribution costs every six months (in May and November of each year) and adjust our distribution margins to reflect variations of 5% or more in our distribution cost base. We may also request that the ENRE apply the CMM at any time that the variation in our distribution cost base is at least 10% or more. Any adjustments, however, are subject to the ENRE’s assessment of variations in our costs, and we cannot guarantee that the ENRE will approve adjustments that are sufficient to cover our actual incremental costs. In the past, even when the ENRE has approved adjustments to our tariffs, there has been a lag between when we actually experience increases in our distribution costs and when we receive increased income following the corresponding adjustments to our distribution margins pursuant to the CMM. In addition, we have estimated that the actual distribution costs have been significantly higher than the ones determined with the CMM adjustments that have been requested. Despite the adjustment we were granted under the CMM in October 2007 and July 2008, we cannot assure you that we will receive similar adjustments in the future. As of the date of this annual report we have requested fourteen additional increases under the CMM since May 2008, all of which have been recognized by ENRE (they have been applied retroactively to amounts owed to us up to December 2014, pursuant to Resolution 250/13 and Notes No. 6,852/13, No. 4,012/14, No. 486/14 and No. 1,136/14 of the SE), but have not been transferred to the tariff structure as of the date of filing of this annual report. Under the terms of the Adjustment Agreement, these fourteen increases should have been incorporated into our tariff structure in May and November of each year from 2008 onwards.

During the years ended December 31, 2012 and 2011, we recorded a significant decrease in net income and operating income (we recorded operating loss in 2012), and our working capital and liquidity levels were negatively affected, primarily as a result of the delay in obtaining a tariff increase and in having our tariff adjusted to reflect increases in our distribution costs, coupled with a constant increase in operating costs to maintain adequate service levels all of which has affected our capacity to perform our commercial obligations. In this context and in light of the situation that affects the electricity sector, the ENRE issued Resolution 347/12 in November 2012, which establishes the application of fixed and variable charges that have allowed the Company to obtain additional revenue as from November 2012. However, Resolution 250/13 and Notes No. 6,852/13, No. 4,012/14, No. 486/14 and No. 1,136/14 of the SE and additional revenue obtained through Resolution No.347/12 were insufficient to make up our operating deficit in 2014, due to the constant increase in operating costs.

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

If we are not able to recover all future cost increases, and/or if there is a significant lag time between when we incur the incremental costs and when we receive increased income, and/or if we are not successful in achieving a satisfactory renegotiation of our tariff structure, we may be unable to comply with our financial obligations, we may suffer liquidity shortfalls and we may need to restructure our debt to ease our financial condition, any of which, individually or in the aggregate, would have a material adverse effect on our business and results of operations and may cause the value of our ADSs to decline.

We have prepared our annual financial statements for the fiscal year ended December 31, 2014 included herein, in accordance with the accounting principles applicable to a going concern. In our opinion, the issuance of Resolution No. 32/15 in March 2015 by the SE provided a greater degree of certainty with respect to our financial conditions and prospects for 2015 compared to the situation existing prior to its issuance, and we understand it constitutes a reasonable basis for the commencement of the RTI. Our independent auditors, PwC, issued a report dated May 12, 2015 on our 2014 financial statements, in which, without qualifying its opinion, they drew attention to the situation explained in Note 1 to our financial statements in relation to our economic and financial situation and prospects. Resolution No. 32/15 granted us a temporary increase in income through additional funding from CAMMESA, applicable retroactively as from February 1, 2015, to pay for costs and investments associated with the regular provision of the public service of distribution of energy on account of the future RTI. Although Resolution No. 32/15, Resolution No. 250/13 and Notes No. 6,852/13, No. 4,012/14, No. 486/14 and No. 1,136/14 of the SE have provided additional sources of income, most of these adjustments have not been incorporated into our tariff structure and if inflation levels during the coming years continue the trend of inflation during 2014, the temporary increase provided by Resolution No. 32/15 may prove insufficient to support the real variation in costs.

As discussed in Note 1 to the 2014 financial statements, based on the estimated cost increases and financial projections made by us, in light of Resolution No. 32/15 of the SE, our Board of directors understands that financial resources are expected to be available, at least during fiscal year 2015, to cover not only our operating costs and debt interest payments during 2015, but also part of our investment plans, assuming that the payment plan to be agreed upon with CAMMESA under Resolution No. 32/15 for the cancellation of the outstanding debt with the WEM takes into consideration our expected capacity to generate surplus cash flows to service such outstanding debt with the WEM. Compliance with our investment plans will depend on whether the Argentine government continues funding our investment plans (see "Item 5. Operating and Financial Review and Prospects - Liquidity and Capital Resources - Sources and Uses of Funds"). Although these temporary measures decreased the degree of uncertainty surrounding our financial capacity for the 2015 fiscal year, our board of directors believes that the sustainable recovery of the economic and financial equation of the public service we render will fundamentally depend on the application of a RTI that takes into consideration the permanent development of operating costs, allows for the payment of the required investments to meet the increasing demand with the quality levels stipulated in the Concession Agreement, makes it possible to have access to financing sources and cover the corresponding costs and allows, at the same time, for the generation of a reasonable return on our investments.

The goal of the RTI is to achieve a comprehensive revision of our tariff structure, including further increases in our distribution margins and periodic adjustments based on changes in our cost base, to provide us with an adequate return on our asset base. Although we believe the RTI will result in a new tariff structure, we cannot assure you that the RTI will conclude in a timely manner or at all, or that the new tariff structure will effectively cover all of our costs or provide us with an adequate return on our asset base. Moreover, the RTI could result in the adoption of an entirely new regulatory framework for our business, with additional terms and restrictions on our operations and the imposition of mandatory investments. We also cannot predict whether a new regulatory framework will be implemented and what terms or restrictions could be imposed on our operations.

***Our inability to obtain tariff adjustments in line with the actual changes in costs could result in our inability to meet our trade obligations and could also have a material adverse effect on our ability to meet our financial obligations***

Although Resolution No. 250/13 and Notes No. 6,852/13, No. 4,012/14, No. 486/14 and No. 1,136/14 of the SE provided additional sources of funds, as they recognized the corresponding CMM adjustments retroactively, these have not been sufficient to support the real variation in costs, principally due to salary adjustments and increased operating expenses above the inflation recorded by the INDEC. During 2014, Edenor's working capital needs have been mostly sustained through financing provided by CAMMESA, as electricity distribution tariffs were not sufficient to cover our costs.

In this respect, the SE issued Resolution No. 32/15 in March 2015 granting us a temporary increase in income in an amount equal to the difference between a "theoretical" tariff schedule set forth in such resolution and the actual tariff schedule in force for each category of users. However the "theoretical" tariff schedule did not include any adjustment method to reflect variations in costs. If inflation levels during the coming years continue the trend of inflation during 2014, the temporary increase provided by Resolution No. 32/15 may prove insufficient to support the real variation in costs.

Our inability to obtain tariff adjustments in line with future changes in costs could result in our inability to meet obligations vis-a-vis CAMMESA, our major supplier, and have a material adverse effect on our ability to meet our financial obligations as a result of a shortage in liquidity, which may result in the need to restructure our debt and may have a material adverse effect on our business and results of operations and could also adversely impact on our financial condition and the market value of the ADSs. Further, in case we were unable to obtain such tariff adjustments, we cannot assure that CAMMESA or any other governmental entity will provide us the financing or that any future financing would be available in favorable terms, which may seriously impair our ability to continue providing the service.

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

Our tariffs have been challenged by Argentine consumer associations, such as the action brought again us in December 2009, by an Argentine consumer association (*Unión de Usuarios y Consumidores*) seeking to annul certain retroactive tariff increases. In November 2010, the relevant administrative court upheld the claim. We appealed the court's order and requested that it be stayed pending a decision on the appeal. In December 2010, the court stayed its order pending a decision on the appeal. On June 1, 2011, the Administrative Court of Appeals (*Cámara Nacional de Apelaciones en lo Contencioso Administrativo Federal - Sala V*) overturned the judgment of the lower administrative court. The *Unión de Usuarios y Consumidores* filed a Federal Extraordinary Appeal (*"Recurso Extraordinario Federal"*) against such decision, which was granted on March 11, 2011. On October 1, 2013, the Supreme Court of Justice decided to dismiss the Federal Extraordinary Appeal that had been filed. A final judgment in our favor was therefore rendered.

We cannot make assurances that other actions or requests for injunctive relief will not be brought by these or other groups seeking to reverse the adjustments we have obtained or to block any further adjustments to our distribution tariffs. If these legal challenges are successful and prevent us from implementing tariff adjustments granted by the Argentine government, we could face a decline in collections from our customers, and a decline in our results of operations, which may have a material adverse effect in our financial condition and the market value of our ADSs.

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

We operate in a highly regulated environment and have been, and in the future may continue to be, subject to significant fines and penalties by regulatory authorities, including for reasons outside our control, such as service disruptions attributable to problems at generation facilities or in the transmission network that result in a lack of electricity supply. After 2001, the amount of fines and penalties imposed on our company has increased significantly, which we believe is mainly due to the economic and political environment in Argentina following the 2001 and 2002 economic crisis. Although the Argentine government has agreed to forgive a significant portion of our accrued fines and penalties pursuant to the Adjustment Agreement and to allow us to repay the remaining balance over time, this forgiveness and repayment plan is subject to a number of conditions, including compliance with quality-of-service standards, reporting obligations and required capital investments. As of December 31, 2014, December 31, 2013 and December 31, 2012, our consolidated accrued fines and penalties totaled Ps. 1,102.8 million, Ps. 923.8 million and Ps. 662.0 million, respectively (taking into account our adjustment to fines and penalties following the ratification of the Adjustment Agreement). If we fail to comply with any of these conditions, the Argentine government may seek to obtain payment of these fines and penalties by us. In addition, we cannot assure you that we will not incur significant fines in the future, which could have a material adverse effect on our financial condition, our results of operations and the market value of our ADSs. See "Item 4. Information on the Company—Our Business Overview—Fines and Penalties."

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

Our concession does not allow us to pass through to our customers the cost of additional energy purchased to cover any energy losses that exceed the loss factor contemplated by our concession, which is, on average, 10%. As a result, if we experience energy losses in excess of those contemplated by our concession, we may record lower operating profits than we anticipate. Prior to the 2001 and 2002 economic crisis, we had been able to reduce the high level of energy losses experienced at the time of the privatization to the levels contemplated (and reimbursed) under our concession. However, during the last years, our level of energy losses, particularly our non-technical losses, started to grow again, in part as a result of the increase in poverty levels and, with it, the number of delinquent accounts and fraud. Although we continue to make investments to reduce energy losses, these losses continue to exceed the 10% average loss factor contemplated by the concession and, based on the current economic turmoil, we do not expect these losses to decrease in the near term. Our energy losses amounted to 14.3% in 2014, 13.0% in 2013 and 13.3% in 2012. We cannot assure you that our energy losses will not increase again in future periods, which may lead us to have lower margins and could adversely affect our financial condition, our results of operations and the market value of our ADSs.

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

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

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

In 2014, the fines and penalties amounted to an estimated Ps. 252.2 million, which represented 7.0% of our energy sales. See "Item 4. Information on the Company - Our Concession - Fines and Penalties."

If the Argentine government were to foreclose on the pledge of our Class A common shares, pending the sale of those shares, the Argentine government would also have the right to exercise the voting rights associated with such shares. In addition, the foreclosure by the Argentine government on the pledge of our Class A common shares may be deemed to constitute a change of control under the terms of our Senior Notes due 2017 and 2022. See- "We may not have the ability to raise the funds necessary to finance a change of control offer as required by the Senior Notes due 2017 and 2022." If the Argentine government forecloses on the pledge of our Class A common shares, our results of operations and financial condition could be significantly affected and the market value of our ADSs could also be affected.

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

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

***We may be unable to import certain equipment to meet the growing demand for electricity, which could lead to a breach of our concession contract and could have a material adverse effect on the operations and financial position of the Company***

Certain restrictions on imports imposed by Argentine government (see "The actions taken by the Argentine government to reduce imports may affect our ability to purchase significant capital goods") could limit or delay our ability to purchase capital goods that are necessary for our operations (including carrying out specific projects). Under our concession, we are obligated to satisfy all of the demand for electricity originated in our concession area, maintaining at all times a service quality standard that has been established for our concession. If we are not able to purchase significant capital goods to satisfy all the demand or suffer unexpected delays in the import process, we could face fines and penalties which may, in turn, adversely affect our activity, financial position and results of operations and/or the market value of your ADSs.

***We employ a largely unionized labor force and could be subject to an organized labor action, including work stoppages that could have a material effect on our business***

As of December 31, 2014, approximately 87% of Edenor employees were union members. Although our relations with unions are currently stable and we have had an agreement in place with the two unions representing our employees since 1995, we cannot assure you that we will not experience work disruptions or stoppages in the future, which could have a material adverse effect on our business and revenues. We cannot assure you that we will be able to negotiate salary agreements or labor conditions on the same terms as those currently in effect, or that we will not be subject to strikes or work stoppages before or during the negotiation process. If we are unable to negotiate salary agreements or if we are subject to strikes or work stoppages, our results of operations, financial condition and the market value of our ADSs could be materially adversely affected.

***We could incur material labor liabilities in connection with our outsourcing that could have an adverse effect on our business and results of operations***

We outsource a number of activities related to our business to third-party contractors in order to maintain a flexible cost base. As of December 31, 2014, Edenor had approximately 2,271 third-party employees under contract. Although we have very strict policies regarding compliance with labor and social security obligations by our contractors, we are not in a position to ensure that contractors' employees will not initiate legal actions to seek indemnification from us based upon a number of judicial rulings issued by labor courts in Argentina recognizing joint and several liability between a contractor and the entity to which it is supplying services under certain circumstances. We cannot make any assurances that such proceedings will not be brought against us or that the outcome of such proceedings will be favorable to us. If we were to incur material labor liabilities in connection with our outsourcing, such liability could have an adverse effect on our financial condition, our results of operations and the market value of our ADSs.

***Our performance is largely dependent on recruiting and retaining key personnel***

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

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

Our revenues are collected in Pesos pursuant to tariffs that are not indexed to the U.S. Dollar, while all of our existing financial indebtedness is denominated in U.S. Dollars, which exposes us to the risk of loss from devaluation of the Peso. In the past we used to hedge this risk in part by converting a portion of our excess cash denominated in Pesos into U.S. Dollars and investing those funds outside Argentina, as permitted by applicable Central Bank regulations at the time and by entering into currency forward contracts. However, pursuant to new regulations of the Central Bank we can no longer hedge this risk by converting a portion of our excess cash denominated in Pesos into U.S. Dollars and because of that, we continue to have substantial exposure to the U.S. Dollar (see “Risks related to Argentina—Fluctuations in the value of the Argentine Peso could adversely affect the Argentine Economy, which could, in turn adversely affect our results of operations”). We cannot assure you whether the Argentine government will maintain these exchange regulations or whether it will allow us to access the market to acquire U.S. Dollars in the manner that we have done in the past. Although we may also seek to enter into hedging transactions to cover all or a part of our exposure, we have not been able to hedge any of our exposure to the U.S. Dollar on terms we consider viable for our company. If we continue to be unable to effectively hedge all or a significant portion of our currency risk exposure, a further devaluation of the Peso may significantly increase our debt service burden, which, in turn, may have a material adverse effect on our financial condition and results of operations.

***In the event of an accident or other event not covered by our insurance, we could face significant losses that could materially adversely affect our business and results of operations***

As of December 31, 2014, our physical assets were insured for up to U.S. \$1.046,7 million. However, we do not carry insurance coverage for losses caused by our network or business interruption, including loss of our concession. See “Item 4. Information on the Company - Our Business - Insurance.” Although we believe our insurance coverage is commensurate with standards for the distribution industry, no assurance can be given of the existence or sufficiency of risk coverage for any particular risk or loss. If an accident or other event occurs that is not covered by our current insurance policies, we may experience material losses or have to disburse significant amounts from our own funds, which may have a material adverse effect on our net profits and our overall financial condition and on the market value of our ADSs.

***A substantial number of our assets are not subject to attachment or foreclosure and the enforcement of judgments obtained against us by our shareholders may be substantially limited***

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

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

In July 2006, EASA completed a comprehensive restructuring of all of its outstanding financial indebtedness, which had been in default since 2002. In connection with this restructuring, EASA issued approximately U.S. \$85.3 million in U.S. Dollar-denominated notes, in exchange for the cancellation of approximately 99.94% of its outstanding financial debt. Since EASA’s ability to meet its debt service obligations under these notes depends largely on our ability to pay dividends or make distributions or payments to EASA, our failure to do so could result in EASA becoming subject to actions by its creditors, including the attachment of EASA’s assets and petitions for involuntary bankruptcy proceedings. If EASA’s creditors were to attach our Class A common shares held by EASA, the Argentine government would have the right under our concession to foreclose on the pledge of our Class A common shares held by the Argentine government, which could trigger a repurchase obligation under the terms of our restructured debt and our Senior Notes due 2017 and 2022, and have a material adverse effect on our results of operations and financial condition.



***Our exclusive right to distribute electric energy in our service area may be adversely affected by technological or other changes in the energy distribution industry, which would have a material adverse effect on our business***

Although our concession grants us the exclusive right to distribute electric energy within our service area, this exclusivity may be revoked in whole or in part if technological developments make it possible for the energy distribution industry to evolve from its present condition as a natural monopoly into a competitive business. In no case does the complete or partial revocation of our exclusive distribution rights entitle us to claim or to obtain reimbursement or indemnity. Although, to our knowledge, there are no current projects to introduce new technologies in the medium- or long-term which might reasonably modify the composition of the electricity distribution business, we cannot assure you that future developments will not enable competition in our industry that would adversely affect the exclusivity right granted by our concession. Any total or partial loss of our exclusive right to distribute electricity within our service area would likely lead to increased competition and result in lower revenues, which could have a material adverse effect on our financial condition, our results of operations and the market value of our ADSs.

***A potential nationalization or expropriation of 51% of our capital stock, represented by the Class A shares, may limit the capacity of the Class B common shares to participate in the board of directors***

As of the date of this annual report, the ANSES owns shares representing 26.8% of our capital stock and appointed five Class B directors in our last Shareholders' meeting. The remaining directors were appointed by the Class A shares.

If the Argentine government were to expropriate 51% of our capital stock, represented by our Class A shares, the Argentine government would be the sole holder of the Class A shares and the ANSES would hold the majority of the Class B shares. Certain strategic transactions require the approval of the holders of the Class A shares. Consequently, the Argentine government and the ANSES would be able to determine substantially all matters requiring approval by a majority of our shareholders, including the election of a majority of our directors, and would be able to direct our operations.

If the Argentine government nationalizes or expropriates 51% of our capital stock, represented by our Class A shares, our results of operations and financial condition could be adversely affected and this could cause the market value of our ADSs and Class B common shares to decline.

***We may not have the ability to raise the funds necessary to repay our commercial debt with CAMMESA, our major supplier***

As of December 31, 2014, we owed approximately Ps.2,257.1 million to CAMMESA, taking into account CMM credits compensations. This debt is due and unpaid and we have not secured any waivers from CAMMESA; if CAMMESA requested that we repay such debt, we may be unable to raise the funds to repay it and, consequently, we could be exposed to a cash attachment, which could in turn result in our filing for a voluntary reorganization proceeding (*concurso preventivo*), which could cause the market value of our ADSs and Class B common shares to decline (see " - Risks related to Our Business- All of our outstanding financial indebtedness contains bankruptcy, reorganization proceedings and expropriation events of default, and we may be required to repay all of our outstanding debt upon the occurrence of any such events").

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

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

***All of our outstanding financial indebtedness contains bankruptcy, reorganization proceedings and expropriation events of default, and we may be required to repay all of our outstanding debt upon the occurrence of any such events***

As of the date of this annual report, approximately U.S.\$ 191.1 million of our financial debt is represented by the Senior Notes due 2017 and 2022. Under the indentures for the Senior Notes due 2017 and 2022, certain expropriation and condemnation events with respect to us may constitute an event of default, which, if declared, could trigger acceleration of our obligations under the notes and require us to immediately repay all such accelerated debt. In addition, all of our outstanding financial indebtedness contains certain events of default related to bankruptcy and voluntary reorganization proceedings (*concurso preventivo*). If we are not able to fulfill certain payment obligations as a result of our current financial situation and if the requirements set forth in the Argentine Bankruptcy Law No. 24,522 are met, any creditor, or even us, could file for our bankruptcy, or we could file for a voluntary reorganization proceeding (*concurso preventivo*). In addition, all of our outstanding financial indebtedness also contains cross-default provisions and/or cross-acceleration provisions that could cause all of our debt to be accelerated if the debt containing expropriation and/or bankruptcy and/or reorganization proceeding events of default goes into default or is accelerated. In such a case, we would expect to actively pursue formal waivers from the corresponding financial creditors to avoid this potential situation, but in case those waivers are not obtained and immediate repayment will be required, the Company could face short-term liquidity problems, which could adversely affect our results of operations and cause the market value of our ADSs and Class B common shares to decline.

***We may not have the ability to raise the funds necessary to finance a change of control offer as required by the Senior Notes due 2017 and 2022***

As of the date of this annual report, approximately U.S.\$191.1 million of our financial debt is represented by the Senior Notes due 2017 and 2022. Under the indentures for the Senior Notes due 2017 and 2022, if a change of control occurs, we must offer to buy back any and all such notes that are outstanding at a purchase price equal to 100% of the aggregate principal amount of such notes, plus any accrued and unpaid interest thereon and additional amounts, if any, through the purchase date. We may not have sufficient funds available to us to make the required repurchases of the Senior Notes due 2017 and 2022 upon a change of control. If we fail to repurchase such notes in these circumstances that may constitute an event of default under the indentures, which may in turn trigger cross-default provisions in other of our debt instruments then outstanding, which could adversely affect our results of operations and cause the market value of our ADSs and Class B common shares to decline.

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

Our losses for 2014 exceeded our reserves plus more than 50% of our capital stock at the end of that year, and we are therefore required to mandatorily reduce our capital stock pursuant to Article 206 of the Argentine Corporations Law unless we receive a capital contribution or expect future revenues or results of operations which would result in our liabilities not exceeding 50% of our assets. In the shareholders' meeting held on April 28, 2015 it was decided not to proceed with the mandatory stock reduction considering the better results in the first quarter of 2015 and our board of directors was instructed to assess whether in succeeding quarters the Company qualifies for mandatory capital stock reduction and convene, in such case, an extraordinary shareholders' meeting to reconsider this issue. If our losses for any fiscal year exceed our reserves plus 50% or more of our capital stock at the end of any such year, we will fall under the purview of Section 206 of the Argentine Corporations Law and will be required to mandatorily reduce our capital stock. Moreover, if our shareholders' equity becomes negative (that is, if our total liabilities exceed our total assets) at the end of any fiscal year, we will be required to dissolve and liquidate pursuant to Article 94 of the Argentine Corporations Law unless we receive a capital contribution or expect future revenues or results of operations which would result in our assets exceeding our liabilities. A mandatory capital stock reduction can adversely affect our results of operations and financial conditions and cause the market value of our ADSs and Class B common shares to decline.

***The New York Stock Exchange and/or the Buenos Aires Stock Exchange may suspend trading and/or delist our ADSs and Class B common shares, upon the occurrence of certain events relating to our financial situation***

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

The NYSE may in its sole discretion determine on an individual basis the suitability for continued listing of an issue in the light of all pertinent facts. Some of the factors mentioned in the NYSE Listed Company Manual, which may subject a company to suspension and delisting procedures, include: "unsatisfactory financial conditions and/or operating results," "inability to meet current debt obligations or to adequately finance operations," and "any other event or condition which may exist or occur that makes further dealings or listing of the securities on the NYSE inadvisable or unwarranted in the opinion of NYSE."

The BASE may cancel the listing of our Class B common shares if it determines that our shareholders' equity and our financial and economic situation do not justify our access to the stock market or if the NYSE cancels the listing of our ADSs.

We cannot assure you that the NYSE and/or BASE will not commence any suspension or delisting procedures in light of our current financial situation, including if our shareholders' equity becomes negative. A delisting or suspension of trading of our ADSs or Class B common shares by the New York Stock Exchange and/or BASE, respectively, could adversely affect our results of operations and financial conditions and cause the market value of our ADSs and Class B common shares to decline.

***Adoption of IFRS affects the presentation of our financial information, which was prepared under Argentine GAAP prior to January 1, 2012***

On January 1, 2012, we began preparing our financial statements in accordance with IFRS. Prior to the year ended December 31, 2012, we prepared our financial statements in accordance with Argentine GAAP. Because IFRS differ in certain significant respects from Argentine GAAP, our financial information prepared and presented in our previous annual reports under (other than the one presented in 2013 with respect to the fiscal year ended December 31, 2012) Argentine GAAP is not directly comparable to our IFRS financial data. The lack of comparability of our recent and our historical financial data may make it difficult to gain a full and accurate understanding of our operations and financial condition.

***The designation of veedores (supervisors), by the CNV or otherwise, could adversely affect the economic and financial situation of the Company***

The new Capital Markets Law No. 26,831 provides in Article 20 that the *Comisión Nacional de Valores* (Argentine National Securities Commission, or "CNV") may conduct an inspection on persons subject to its control (such as the Company). If after any inspection the CNV considers that a resolution of the board of directors of such person violated the interests of minority shareholders or any holder of securities that are subject to the Argentine public offering regime, it may appoint a *veedor* (supervisor), who will have veto powers. Additionally, the CNV may suspend the board of directors for a period of up to 180 days, until the CNV rectifies the situation. This measure is subject to limited appeals. If the CNV makes an inspection on us and considers that any right of a minority shareholder or holder of any security has been violated, it may proceed to suspend our board of directors for the up to 180-day period, in which case the economic and financial situation of the Company could be negatively affected. In addition, a *veedor* may be appointed through a judicial request. In this respect, on April 21, 2014, Molinos Río de la Plata S.A., an Argentine company whose shares are publicly-traded in Argentina, reported the judicial appointment of a *veedor* at the request of ANSES, one of its shareholders, which is also a shareholder of the Company, for a period of six months. We cannot assure you that ANSES, or any other party, will not attempt to pursue a similar course of action with respect to the Company, which may have a negative effect on the Company.

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

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

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

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

**Risks relating to ADSs and our Class B common shares**

***Restrictions on the movement of capital out of Argentina may impair the ability of holders of ADRs to receive dividends and distributions on, and the proceeds of any sale of, the Class B common shares underlying the ADSs***

The Argentine government may impose restrictions on the conversion of Argentine currency into foreign currencies and on the remittance to foreign investors of proceeds from their investments in Argentina. Argentine law currently permits the Argentine government to impose these kinds of restrictions temporarily in circumstances where a serious imbalance develops in Argentina's balance of payments or where there are reasons to foresee such an imbalance. Beginning in December 2001, the Argentine government implemented an unexpected number of monetary and foreign exchange control measures that included restrictions on the free disposition of funds deposited with banks and on the transfer of funds abroad, including dividends, without prior approval by the Central Bank, some of which are still in effect. Among the restrictions that are still in effect are those relating to the payment prior to maturity of the principal amount of loans, bonds or other securities owed to non-Argentine residents, the requirement for Central Bank approval prior to acquiring foreign currency for certain types of investments and the requirement that 30% of certain types of capital inflows into Argentina be deposited in a non-interest-bearing account in an Argentine bank for a period of one year. Although the transfer of funds abroad in order to pay dividends no longer requires Central Bank approval to the extent such dividend payments are made in connection with audited financial statements approved by a shareholders' meeting, restrictions on the movement of capital to and from Argentina such as those that previously existed could, if reinstated, impair or prevent the conversion of dividends, distributions, or the proceeds from any sale of shares, as the case may be, from Pesos into U.S. Dollars and the remittance of such U.S. Dollars abroad. We cannot assure you that the Argentine government will not take similar measures in the future. In such a case, the depository for the ADSs may hold the Pesos it cannot otherwise convert for the account of the ADS holders who have not been paid. Nonetheless, the adoption by the Argentine government of restrictions on the movement of capital out of Argentina may affect the ability of our foreign shareholders and holders of ADSs to obtain the full value of their shares and ADSs and may adversely affect the market value of our ADSs.

***Our ability to pay dividends is limited***

In accordance with Argentine corporate law, we may only pay dividends in Pesos out of our retained earnings, if any, as set forth in our audited financial statements prepared in accordance with IFRS. Our ability to pay dividends, however, is further restricted in accordance with the terms of the Adjustment Agreement, pursuant to which we have agreed not to pay dividends without the ENRE's prior approval until we complete the RTI. We cannot predict with any certainty when this process will be completed.

***Our shareholders' ability to receive cash dividends may be limited***

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

***Under Argentine law, shareholder rights may be fewer or less well defined than in other jurisdictions***

Our corporate affairs are governed by our by-laws and by Argentine corporate law, which differ from the legal principles that would apply if we were incorporated in a jurisdiction in the United States, such as the States of Delaware or New York, or in other jurisdictions outside Argentina. In addition, the rights of holders of the ADSs or the rights of holders of our common shares under Argentine corporate law to protect their interests relative to actions by our board of directors may be fewer and less well-defined than under the laws of those other jurisdictions. Although insider trading and price manipulation are illegal under Argentine law, the Argentine securities markets are not as highly regulated or supervised as the U.S. securities markets or markets in some other jurisdictions. In addition, rules and policies against self-dealing and regarding the preservation of shareholder interests may be less well-defined and enforced in Argentina than in the United States, putting holders of our common shares and ADSs at a potential disadvantage.

***Holders of ADSs may be unable to exercise voting rights with respect to the Class B common shares underlying the ADSs at our shareholders' meetings***

Shares underlying the ADSs are held by the depositary in the name of the holder of the ADS. As such, we will not treat holders of ADSs as shareholders and, therefore, holders of ADSs will not have shareholder rights. The depositary will be the holder of the common shares underlying the ADSs and holders may exercise voting rights with respect to the Class B common shares represented by the ADSs only in accordance with the deposit agreement relating to the ADSs. There are no provisions under Argentine law or under our by-laws that limit the exercise by ADS holders of their voting rights through the depositary with respect to the underlying Class B common shares. However, there are practical limitations on the ability of ADS holders to exercise their voting rights due to the additional procedural steps involved in communicating with these holders. For example, holders of our common shares will receive notice of shareholders' meetings through publication of a notice in an official gazette in Argentina, an Argentine newspaper of general circulation and the daily bulletin of the Buenos Aires Stock Exchange, and will be able to exercise their voting rights by either attending the meeting in person or voting by proxy. ADS holders, by comparison, do not receive notice directly from us. Instead, in accordance with the deposit agreement, we provide the notice to the depositary. If we ask it to do so, the depositary will mail to holders of ADSs the notice of the meeting and a statement as to the manner in which instructions may be given by holders. To exercise their voting rights, ADS holders must then instruct the depositary as to voting the Class B common shares represented by their ADSs. Due to these procedural steps involving the depositary, the process for exercising voting rights may take longer for ADS holders than for holders of Class B common shares and Class B common shares represented by ADSs may not be voted as the holders of ADSs desire. Class B common shares represented by ADSs for which the depositary fails to receive timely voting instructions may, if requested by us, be voted at the corresponding meeting either in favor of the proposal of the board of directors or, in the absence of such a proposal, in accordance with the majority.

***Our shareholders may be subject to liability for certain votes of their securities***

Because we are a limited liability corporation, our shareholders are not liable for our obligations. Shareholders are generally liable only for the payment of the shares they subscribe to. However, shareholders who have a conflict of interest with us and who do not abstain from voting at the respective shareholders' meeting may be liable for damages to us, but only if the transaction would not have been approved without such shareholders' votes. Furthermore, shareholders who willfully or negligently vote in favor of a resolution that is subsequently declared void by a court as contrary to the law or our by-laws may be held jointly and severally liable for damages to us or to other third parties, including other shareholders.