

## EXCHANGE RATES

In 2018, the Argentine Peso experienced a rapid devaluation against major foreign currencies, particularly against the U.S. dollar. According to the exchange rate information published by the Banco de la Nación Argentina, the Argentine Peso depreciated by 102.2% against the U.S. dollar during the year ended December 31, 2018 (compared to 17.4% and 21.9% in the years ended December 31, 2017 and 2016, respectively).

The following table sets forth the high, low, average and period-end exchange rates for the periods indicated, expressed in Pesos per U.S. Dollar 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. There can be no assurance that the Peso will not depreciate or appreciate in the future. The Federal Reserve Bank of New York does not report a noon buying rate for Pesos. For more inform regarding see depreciation see “Risk Factors—Factors Relating to Argentina—Fluctuations in the value of the Peso could adversely affect the Argentine economy and, which could, in turn adversely affect our results of operations.”

		Low	High	Average	Period End
		(Pesos per U.S. Dollar)			
Year ended December 31,					
	2016	13.20	16.03	14.79 <sup>(1)</sup>	15.89
	2017	15.19	19.20	16.73 <sup>(1)</sup>	18.65
	2018	18.41	41.25	29.26 <sup>(1)</sup>	37.70
Month					
	novembro-18	35.40 <sup>(2)</sup>	39.05 <sup>(2)</sup>	36.48	37.72
	dezembro-18	36.50 <sup>(2)</sup>	38.60 <sup>(2)</sup>	37.83	37.70
	janeiro-19	36.90 <sup>(2)</sup>	37.71 <sup>(2)</sup>	37.39	37.35
	fevereiro-19	37.17 <sup>(2)</sup>	39.67 <sup>(2)</sup>	38.40	39.15
	março-19	39.81 <sup>(2)</sup>	43.87 <sup>(2)</sup>	41.52	43.35
	April-19 <sup>(3)</sup>	41.62 <sup>(2)</sup>	45.97 <sup>(2)</sup>	43.15	45.97

- (1) Represents the average of the exchange rates on the last day of each month during the period.  
(2) Average of the lowest and highest daily rates in the month.  
(3) Represents the corresponding exchange rates from April 1 through April 26, 2019.

## RISK FACTORS

### Risks Related to Argentina

#### Overview

We are a stock corporation (*sociedad anónima*) incorporated under the laws of the Republic of Argentina and all of our revenues are earned in Argentina and all of our operations, facilities, and users 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 rates, inflation rates, currency exchange rates, taxes, 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 a decline in the purchasing power of our users, which, in turn, could lead to a decrease in collection rates from our users or increased energy losses due to illegal use of our service. Actions of the Argentine Government concerning the economy, including measures with respect to inflation, interest rates, price controls (including tariffs and other compensation of public services), foreign exchange controls and taxes, have had and may in the future have a material adverse effect on private sector entities, including us.

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

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

The effects of a global or regional financial crisis and related turmoil in the global financial system may have a negative impact on our business, financial condition and results of operations, which is likely to be more severe on an emerging market economy, such as Argentina. This was the case in 2008, when the global economic crisis led to a sudden economic decline in Argentina in 2009, accompanied by inflationary pressures, depreciation of the Peso and a drop in consumer and investor confidence.

The effects of an economic crisis on our users and on us cannot be predicted. Weak global and local economic conditions could lead to reduced demand or lower prices for energy, hydrocarbons and related oil products and petrochemicals, which could have a negative effect on our revenues. Economic factors such as unemployment, inflation and the unavailability of credit could also have a material adverse effect on the demand for energy and, therefore, on our business, financial condition and results of operations. The financial and economic situation in Argentina or in other countries in Latin America, such as Brazil, may also have a negative impact on us and third parties with whom we do, or may do, business.

In addition, the global economic crisis that began in the fourth quarter of 2008, triggering an international stock market crash and the insolvency of major financial institutions, limited the ability of Argentine companies to access international financial markets as they had in the past or made such access significantly more costly. Once the aforementioned crisis was over, there were periods with low cost financing that Argentina did not take advantage of because of its particular internal situation. A similar global or regional financial crisis in the future could limit our ability to access the credit or capital markets at a time when we require financing, thereby impairing our flexibility to react to changing economic and business conditions. For these reasons, any of the foregoing factors could together or independently have an adverse effect on our results of operations and financial condition, and cause the market value of our ADSs to decline.

***The Argentine economy remains vulnerable and any significant decline may adversely affect our business, results of operations, and financial condition***

The Argentine economy has experienced significant volatility in recent decades, characterized by periods of low or negative growth, high levels of inflation and currency devaluation. Sustainable economic growth in Argentina is dependent on a variety of factors including the international demand for Argentine exports, the stability and competitiveness of the Peso against foreign currencies, confidence among consumers and foreign and domestic investors and a stable rate of inflation, national employment levels and the circumstances of Argentina's regional trade partners. The Argentine economy has been volatile since 2011. For example, Argentina's economy grew in 2017, but contracted in 2018. The Argentine economy remains vulnerable, as reflected by the following economic conditions:

- according to the revised calculation of 2004 Gross Domestic Product ("GDP") published by the *Instituto Nacional de Estadística y Censos*(National Statistics and Census Institute or "INDEC") on June 29, 2016, which forms the basis for the real GDP calculation for every year after 2004, and recent data published by the INDEC in 2019, for the year ended December 31, 2018, Argentina's real GDP decreased by 2.5% compared to the same period in 2017. Argentina's performance has depended to a significant extent on high commodity prices which, despite having favorable long-term trends, are volatile in the short-term and beyond the control of the Argentine Government and the private sector;
- continued increases in public expenditures have resulted and could continue to result in fiscal deficit and affect economic growth;
- inflation remains high and may continue at those levels in the future;
- investment as a percentage of GDP remains low to sustain the growth rate of the past decade;
- several protests or strikes took place during 2018, which adversely affects the stability of the political, social and economic environment and may negatively impact the global financial market's confidence in the Argentine economy. We cannot guarantee that these kinds of events will not occur in the future;

- energy or natural gas supply may not be sufficient to supply increased industrial activity (thereby limiting industrial development) and consumption;
- unemployment and informal employment remain high; and
- the Argentine Government's economic expectations may not be met and the process of restoring the confidence in the Argentine economy may take longer than anticipated.

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.

In 2018, the Peso experienced a rapid devaluation against major foreign currencies, particularly against the U.S. dollar. According to the exchange rate information published by the Banco de la Nación Argentina, the Peso devaluated by 102.2% against the U.S. dollar during the year ended December 31, 2018 (compared to 17.4% and 21.9% in the years ended December 31, 2017 and 2016, respectively). As a result of the Peso's increased volatility, the Argentine Government announced several measures to restore market confidence and stabilize its value. Measures implemented by the Central Bank of the Republic of Argentina (*Banco Central de la República Argentina*, the "Central Bank" or "BCRA") include, among others, an increase of short term interest rates and selling foreign currency reserves. The Argentine Government in turn announced that it would accelerate the proposed reduction of the fiscal deficit. Further, on May 8, 2018, the current administration announced that the Argentine Government would initiate negotiations with the International Monetary Fund (the "IMF") with a view to entering into a stand-by credit facility that would give Argentina access to financing by the IMF. On June 20, 2018, the executive board of the IMF approved the terms of the stand-by arrangement (the "SBA"), consisting of a stand-by credit facility for U.S.\$50.0 billion, subject to adjustments and compliance with certain political and fiscal performance guidelines by the Argentine Government. On October 26, 2018, a first revision of the SBA concluded with the enlargement of the arrangement for U.S.\$5.7 billion. We cannot predict whether the Argentine Government will be able to comply with all terms of the SBA. The ability of the Argentine Government to stabilize the foreign exchange market, restore economic growth and meet the terms of the SBA, is subject to uncertainty. The continued depreciation of the Peso and the failure to meet the terms of the SBA could have a material adverse effect on Argentina's economy and, consequently, our cash flows, financial condition and results of operations.

Since October 2018, the Central Bank established an exchange rate band. The band in which the Central Bank would not intervene was initially defined between Ps.34 to U.S.\$1.00 to Ps.44 to U.S.\$1.00, which is adjusted upwards on a monthly basis. The Central Bank allows the free floating of the currency within this band. These measures implemented by the Central Bank have been complemented with, among others, an increase of short term interest rates and a strict control of the money supply. The intention of the Central Bank is to avoid excessive fluctuations of the exchange rate. The success of these measures is subject to uncertainty and the continued depreciation of the Peso could have a material adverse effect on our financial condition and results of operations.

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

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

Since taking office on December 10, 2015, the Macri administration has announced and implemented several significant economic and policy reforms, such as: (i) declaration of a state of emergency for the electricity system and reforms thereto; (ii) reforms affecting the transport and distribution of natural gas; (iii) reforms concerning the INDEC; (iv) reforms affecting foreign exchange; (v) reforms affecting foreign trade; (vi) the modification of Argentina's debt policy; (vii) the correction of monetary imbalances; (viii) the enactment of the Corporate Criminal Liability Law (as defined below); (ix) reform of Argentina's capital markets; (x) reform of the pension framework; (xi) the extension of a tax on financial transactions; (xii) tax reform (the "Tax Reform"); and (xiii) the implementation of a fiscal consensus (*Pacto Fiscal*). As of the date of this annual report, the final impact that the aforementioned measures and any future measures to be taken by the current administration will have on the Argentine economy as a whole, and our business in particular, cannot be fully anticipated.

In this order, the measures announced by the National Government during the firsts days of April 2019, establish that there will be no more rate increases for the rest of the year. The increases that has already been authorized by the Resolution 366/18 for Resident Clients on the periods of May and August, will be absorbed by the National State.

Further, the next presidential and congressional elections in Argentina will be held in October 2019, and their impact on the future economic and political environment is uncertain, but is likely to be material. No assurances can be made as to the policies that may be implemented by a new Argentine administration, or that political developments in Argentina will not adversely affect the Argentine economy and our business, financial condition and 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.

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

Historically, inflation has materially undermined the Argentine economy and the Argentine Government's ability to create conditions that allow growth. In recent years, Argentina has confronted inflationary pressures, evidenced by significantly higher fuel, energy and food prices, among other factors. From 2011 to date, Argentina experienced increases in inflation as measured by the Wholesale Price Index (the "WPI") that reflected the continued growth in the levels of private consumption and economic activity (including exports and public and private sector investment), which applied an upward pressure on the demand for goods and services, evidenced by significantly higher fuel, energy and food prices, among others. The INDEC resumed publication of the WPI for full year since 2016. The Argentine WPI increased by 18.8% in 2017, and 73.5% in 2018 on a year-over-year comparison.

According to data published by the INDEC, CPI rates for July, August, September, October, November and December 2018, and January, February and March 2019 were 3.1%, 3.9%, 6.5%, 5.4%, 3.2%, 2.6%, 2.9%, 3.8% and 4.7% respectively. See *"The credibility of several Argentine economic indexes was called into question, which may lead to a lack of confidence in the Argentine economy and, in turn, limit our ability to access credit and the capital markets"* below. The previous administration has implemented programs to control inflation and monitor prices for essential goods and services, including the freezing of prices of supermarket products, and through price support arrangements with private sector companies in several industries and markets. The Argentine Government's adjustments to electricity and gas tariffs, as well as the increase in the price of gasoline have affected prices, creating additional inflationary pressure. Recently, the Macri administration announced the implementation of new price control agreements for different basic goods.

A high inflation rate affects Argentina's foreign competitiveness by diluting the effects of the Peso devaluation, negatively impacting employment and the level of economic activity and undermining confidence in Argentina's banking system, which may further limit the availability of domestic and international credit to businesses. In turn, a portion of the Argentine debt continues to be 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. The efforts undertaken by the current administration to reduce inflation have not achieved the desired results. A continuing inflationary environment could undermine our results of operations, adversely affect our ability to finance the working capital needs of our businesses on favorable terms, and it could adversely affect our results of operations and cause the market value of our ADSs and our common shares to decline.

**As of July 1, 2018, the Argentine Peso qualifies as a currency of a hyperinflationary economy and we are required to restate our historical financial statements in terms of the measuring unit current at the end of the reporting year, which could adversely affect our results of operation and financial condition**

As of July 1, 2018, the Peso qualifies as a currency of a hyperinflationary economy and we are required to restate our historical financial statements by applying inflationary adjustments to our financial statements, which could adversely affect our results of operation and financial condition.

Pursuant to IAS 29 “Financial Reporting in Hyperinflationary Economies”, the financial statements of entities whose functional currency is that of a hyperinflationary economy must be restated for the effects of changes in a suitable general price index. IAS 29 does not prescribe when hyperinflation arises, but includes several characteristics of hyperinflation. The IASB does not identify specific hyperinflationary jurisdictions. However, in June 2018, the International Practices Task Force of the Centre for Quality (“IPTF”), which monitors “highly inflationary countries”, categorized Argentina as a country with projected three-year cumulative inflation rate greater than 100%. Additionally, some of the other qualitative factors of IAS 29 were present, providing prima facie evidence that the Argentine economy is hyperinflationary for the purposes of IAS 29. Therefore, Argentine companies using IFRS are required to apply IAS 29 to their financial statements for periods ending on and after July 1, 2018.

Adjustments to reflect inflation, including tax indexation, such as those required by IAS 29, were prohibited by Law No. 23,928. Additionally, Decree No. 664/83, issued by the Argentine Government (“Decree 664”), instructed regulatory authorities, such as the Public Registries of Commerce, the Superintendence of Corporations of the City of Buenos Aires and the Argentine Securities Commission (Comisión Nacional de Valores or “CNV”), to accept only financial statements that comply with the prohibitions set forth by Law No. 23,928. However, on December 4, 2018, Law No. 27,468 (“Law 27,468”) abrogated Decree 664 and amended Law No. 23,928 indicating that the prohibition of indexation no longer applies to the financial statements. Some regulatory authorities, such as the CNV and the IGJ, have required that financial statements for periods ended on and after December 31, 2018 that are to be submitted to them should be restated for inflation following the guidelines in IAS 29. However, for purposes of determination of the indexation for tax purposes, Law No. 27,468 substituted the WPI for the CPI, and modified the standards for triggering the tax indexation procedure.

During the first three years as from January 1, 2018, the tax indexation will be applicable if the variation of the CPI exceeds 55% in 2018, 30% in 2019 and 15% in 2020. The tax indexation determined during any such year will be allocated as follows: 1/3 in that same year, and the remaining 2/3 in equal parts in the following two years. From January 1, 2021, the tax indexation procedure will be triggered under similar standards as those set forth by IAS 29.

We cannot predict the future impact that the eventual application of tax indexation and related inflation adjustments described above will have on our financial statements or their effects on our business, results of operations and financial condition.

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

Prior to 2015, the credibility of the CPI, as well as other indices published by the INDEC were called into question.

The Fernández de Kirchner administration implemented a new price index on February 13, 2014. Such new price index represented the first national indicator to measure changes in prices of final consumption by households. Unlike the previous price index, which only measured inflation in the urban sprawl of the City of Buenos Aires, the new price index was calculated by measuring prices of goods across the entire urban population of the 24 provinces of Argentina. Although this methodology brought inflation statistics closer to those estimated by private sources, material differences between official inflation data and private estimates remained during 2015. In November 2015, the INDEC suspended the publication of the CPI and the WPI.

On January 8, 2016, based on its determination that the INDEC had failed to produce reliable statistical information, particularly with respect to CPI, GDP, inflation and foreign trade data, as well as with poverty and unemployment rates, the Macri administration declared a state of administrative emergency for the national statistical system and the INDEC. The INDEC suspended the publication of certain statistical data until a reorganization of its technical and administrative structure to recover its ability to produce reliable statistical information was finalized in June 2016. During the suspension period, the INDEC published CPI figures published by the City of Buenos Aires and the Province of San Luis for reference as an estimated benchmark for national inflation. In June 2016, the INDEC resumed publishing an official inflation rate using a new methodology for calculating the CPI.

On September 22, 2016, the INDEC resumed publication of its essential goods and services basket assessment. On July 11, 2017, the INDEC began publishing a national CPI (the "National CPI"). The National CPI is based on a survey conducted by INDEC and several provincial statistical offices in 39 urban areas including each of Argentina's provinces. The official CPI inflation rate for the year ended December 31, 2018 was 47.6%.

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

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

Argentina's history of defaults on its external debt and the protracted litigation with holdout creditors, summarized below, may reoccur in the future and prevent Argentine companies such as us from accessing the international capital markets readily or may result in higher costs and more onerous terms for such financing, and may therefore negatively affect our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations.

Following the default on its external debt in 2001, Argentina sought to restructure its outstanding debt by offering holders of the defaulted bonds two opportunities to exchange them for newly issued debt securities, in 2005 and again in 2010. Holders of approximately 93% of Argentina's defaulted debt participated in the exchanges. Nonetheless, a number of bondholders held out from the exchange offers and pursued legal actions against Argentina in the courts of the United States and several other jurisdictions.

After almost 15 years of litigation, and following the beginning of Macri Administration, in February 2016 Argentina negotiated and reached settlement agreements with a significant portion of its holdout creditors. As required by the settlement, on March 31, 2016, the Argentine Congress voted to repeal Laws No. 26,017 (known as "Ley Cerrojo") and 26,984 (known as "Ley de Pago Soberano"), which prohibited Argentina from offering to the holdouts better conditions than those offered in the debt swaps of 2005 and 2010. On April 13, 2016, Argentina announced that it would proceed with a new bond offering of up to U.S.\$12.5 billion to repay the holdouts. After issuing U.S.\$16.5 billion of new bonds to international investors, on April 22, 2016 Argentina notified the competent U.S. court that it had made full payment under the settlement agreements with the holdout creditors. Although the size of the claims involved has decreased significantly, litigation initiated by bondholders that have not accepted Argentina's settlement offer continues in several jurisdictions.

However, even though Argentina has accessed the international capital markets since the settlement, there continues to be a risk that the country will not attract the foreign direct investment and financing needed to restart the investment cycle and achieve sustainable rates of economic growth. If that risk occurs, Argentina's fiscal condition could be adversely affected, which could lead to more inflation and undermine the Argentine Government's ability to implement economic policies designed to promote growth. The difficulty of sustaining over time economic growth with reasonable price stability could result in a renewed episode of economic instability.

Further, on May 8, 2018, the current administration announced that the Argentine Government would initiate negotiations with the IMF with a view to entering into a stand-by credit facility that would give Argentina access to financing by the IMF. These negotiations were culminated with the execution of a stand-by agreement that was approved by the IMF Board on June 20, 2018 and a first revision under the mentioned stand-by arrangement that was approved by the IMF Board on October 26, 2018, which included the enlargement of the arrangement for U.S.\$5.7 billion.

In addition, the foreign shareholders of several Argentine companies, together with public utilities and certain bondholders that did not participate in the exchange offers described above, filed claims with the International Centre for Settlement of Investment Disputes ("ICSID") alleging that the emergency measures adopted by the Argentine Government in 2002 do not meet the just and equal treatment requirements of several bilateral investment treaties to which Argentina is a party. Several of these claims have been resolved against Argentina.

Past situations, such as the lawsuits with creditors that did not accept to the debt exchange, the claims before the ICSID, and the economic policy measures adopted by the Argentine Government or any future default of Argentina regarding its financial obligations may harm Argentine companies' ability to obtain financing. Further, the financial conditions of such access could be disadvantageous to Argentine companies and, therefore, may adversely affect our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations.

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

After several years of moderate variations in the nominal exchange rate, the Peso lost more than 50% of its value with respect to the U.S. dollar in 2015 and approximately 22% in 2016 and 21.9% in 2017. In 2018, the depreciation of the Peso with respect to the U.S. Dollar reached approximately 102.2%. We are unable to predict the future value of the Peso against the U.S. Dollar. If the Peso devaluates further, the negative effects on the Argentine economy could have adverse consequences on our business, our results of operations and the market value of our ADSs, including as measured in U.S. Dollars.

From time to time, the Central Bank may intervene in the foreign exchange market in order to maintain the currency exchange rate. Additional volatility, appreciation or depreciation of the Peso against the U.S. dollar or reduction of the Central Bank's reserves as a result of currency intervention could adversely affect the Argentine economy and our ability to service our debt obligations and could affect the value of our ADSs and Class B common shares.

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

Fluctuations in the value of the Peso may also adversely affect the Argentine economy, our financial condition and results of operations. The Peso has been subject to significant devaluation against the U.S. dollar in the past and may be subject to further fluctuation in the future. A depreciation of the Peso against major foreign currencies may also have an adverse impact on our capital expenditure program and increase the Peso amount of our trade liabilities and financial debt denominated in foreign currencies. The devaluation of the Peso may have a negative impact on the ability of certain Argentine businesses to service their foreign currency-denominated debt, lead to 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.

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

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

Notwithstanding the measures adopted by the Macri administration and its planned liberalization of the economy, we cannot assure you that measures that may be adopted by the current or any future Argentine Government, such as expropriation, nationalization, forced renegotiation or modification of existing contracts, new taxation policies, changes in laws, regulations and policies affecting foreign trade and investments will not have a material adverse effect on the Argentine economy and, as a consequence, adversely affect our financial condition, our results of operations or cause the market value of our ADSs and Class B common shares to decline.

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

Starting in December 2001, the Argentine Government imposed a number of monetary and foreign exchange control measures in an attempt to prevent capital flight and a further depreciation of the Peso. These measures included restrictions on the free disposition of funds deposited with banks, the exchange of Argentine currency into foreign currencies and the transfer of funds abroad without prior approval by the Central Bank were implemented in circumstances where a serious imbalance developed in Argentina's balance of payments.

Although several of such exchange controls and transfer restrictions were subsequently suspended or terminated, in June 2015 the Argentine Government issued a decree that established new controls on capital flows, which resulted in a decrease in the availability of international credit for Argentine companies. Through a combination of foreign exchange and tax regulations from 2011 until President Macri assumed office in December 2015, the Fernández de Kirchner administration significantly curtailed access to the foreign exchange market by individuals and private-sector entities. In response, an unofficial U.S. Dollar trading market was developed in which the Peso-U.S. Dollar exchange rate in such market differed substantially from the official Peso-U.S. Dollar exchange rate. See "Item 10—Exchange Controls."

As of the date of this annual report, the Macri administration has eliminated all foreign exchange restrictions that were implemented by the Fernández de Kirchner administration.

Notwithstanding the measures adopted by the Macri administration, in the future the Central Bank and Argentine Government could re-introduce exchange controls, impose restrictions on transfers abroad, restrictions on the movement of capital or take other measures in response to capital flight or a significant depreciation of the Argentine Peso, which could limit our ability to access the international capital markets. Such measures could lead to political and social tensions and undermine the Argentine Government's public finances, as has occurred in the past, which could have an adverse effect on economic activity in Argentina and, consequently, adversely affect our business and results of operations and cause the market value of our ADSs and Class B common shares to decline. As of the date of this annual report, however, the transfer of funds abroad to pay dividends is permitted to the extent such dividend payments are made in connection with audited financial statements approved by a shareholders' meeting of the Company.

***The Argentine economy remains vulnerable to external shocks that could be caused by significant economic difficulties of Argentina's major regional trading partners, particularly Brazil, or by more general "contagion" effects. Such external shocks and "contagion" effects could have a material adverse effect on Argentina's economic growth, and consequently, our results of operations and financial condition***

Weak, flat or negative economic growth of any of Argentina's major trading partners such as Brazil could adversely affect Argentina's economic growth. Argentina's economy is vulnerable to external shocks. For example, economic slowdowns, especially in Argentina's major trading partners, led to declines in Argentine exports in the last few years. Specifically, fluctuations in the price of the commodities sold by Argentina and a significant revaluation of the Peso against the U.S. dollar could harm Argentina's competitiveness and affect its exports. 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.

The economy of Brazil, Argentina's largest export market and the principal source of imports to Argentina, has experienced heightened negative pressure due to the uncertainties stemming from the ongoing political crisis and extensive corruption investigations. The Brazilian economy contracted by 3.6% during 2016. Although the Brazilian economy slightly expanded by 1% in 2017 and 1.1% in 2018, a deterioration of economic conditions in Brazil may reduce demand for Argentine exports and increase demand for Brazilian imports. In October 2018, Jair Bolsonaro was elected president of Brazil. As a result, political uncertainty has increased in Brazil, in relation to future actions that may be taken by the president, which might include substantial economic reforms and changes in Brazil's foreign policy, as was proposed during Jair Bolsonaro's campaign. A further deterioration of economic conditions in Brazil could reduce the demand for Argentine exports and increase demand for Brazilian imports. There is a possibility that continued uncertainty with respect to Brazil's economic and political conditions or the occurrence of an economic and political crisis in Brazil might result in an impact on the Argentine economy, and in turn, have a material adverse effect on our business, financial condition and result of operations.



Financial and securities markets in Argentina are also influenced by economic and market conditions in other markets worldwide. U.S. monetary policy has significant effects on capital inflows and asset price movements in emerging market economies. Increases in U.S. interest rates result in the appreciation of the U.S. dollar and decreases in prices for raw materials, which can adversely affect commodity-dependent emerging economies.

Additionally, a slowing of China's GDP growth has led to a reduction in exports to China, which in turn has caused oversupply and price declines in certain commodities. Decreases in exports may have a material adverse effect on Argentina's public finances due, among others, to a loss of tax on exports, and cause an imbalance in the country's exchange market.

On June 23, 2016, the United Kingdom voted in favor of exiting the European Union. As of the date of this annual report, the actions that the United Kingdom will take to effectively exit from the European Union or the length of such process are uncertain. The results of the United Kingdom's referendum and the initiation of the Brexit process have caused, and are anticipated to continue to cause, volatility in the financial markets, which may in turn have a material adverse effect on our business, financial condition and results of operations. The United Kingdom was due to leave the EU on March 29, 2019 at 11 pm UK time. However, the period for negotiating a Withdrawal Agreement was extended. Brexit could lead to additional political, legal and economic instability in the European Union and produce a negative impact on the commercial exchange of Argentina with that region.

On November 8, 2016, Donald J. Trump was elected President of the United States and he assumed office in January 2017. The results of the presidential election have created significant uncertainty about the future relationship between the United States and other countries, including with respect to the trade policies, treaties, government regulations and tariffs that could apply to trade between the United States and other nations. Even though President Trump's protectionist measures are not, for the time being, aimed at Argentina, we cannot predict how they will evolve, nor can we predict the effect that the same or any other measure taken by the Trump administration could cause on global economic conditions and the stability of global financial markets. Furthermore, the ongoing trade tensions between United States and China due to tariffs placed on goods traded between them, may have a potential impact in trade-dependent countries such as Argentina.

On October 27, 2017, the regional government of Catalonia declared independence from Spain. In response to this declaration, the Spanish national government rejected the declaration and intervened dissolving the regional parliament and convening new elections to elect new regional authorities. These conflicts in the European Union in general, and in Spain in particular, may have political, regulatory and economic implications on the international markets.

During August 2018, an increase in inflation and a sustained deficit in current accounts, as well as the protectionist measures taken by the United States which included the doubling of the tariffs on steel and aluminum from Turkey, caused a collapse of the Turkish lira against the Dollar. Such collapse triggered a wave of sales of assets from emerging markets and the significant drop in the value of shares from emerging markets, generating a contagion effect in international markets and several stock exchanges in the world, including Argentina.

Although economic conditions vary from country to country, investors' perceptions of events occurring in other countries have in the past substantially affected, and may continue to substantially affect, capital flows into and investments in securities from issuers in other countries, including Argentina. 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 an adverse effect on our financial condition and results of operations.

Argentina could be adversely affected by negative economic or financial developments in other emerging and developed 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 and Class B common shares.

***The application of certain laws and regulations could adversely affect our results of operations and financial condition***

Law No. 26,854, which regulates the procedure applicable to injunctions that are requested against or by the Argentine Government or any of its decentralized entities, was promulgated on April 30, 2013 as part of a judicial reform bill approved by the Argentine Congress. The principal changes implemented pursuant to Law No. 26,854 include: (i) prior to issuing a ruling on injunctions requested against the Argentine Government or decentralized entities, judges must request a report on the relevant matters from the competent administrative agency (the "Preliminary Report"), within five days in ordinary proceedings and three days in abbreviated proceedings and in amparo actions. Also, judges are authorized to request an opinion on the matter from the relevant representative of the General Prosecuting Office, (ii) judges are permitted to order interim measures before ruling on the injunction request, in the event that "exceptional circumstances, objectively insurmountable" are present. Such interim measures are effective until the competent administrative authority has produced the Preliminary Report or until the term for producing such report has expired, and (iii) injunctions that are ordered against the Argentine Government or its decentralized entities must have a "reasonable term of effectiveness" (a maximum term of six months if the injunction is granted within the framework of an ordinary judicial procedure or three months if it is an abbreviated proceeding or an amparo action). In addition, Law No. 26,855, which became effective on May 27, 2013, modified the structure and functions of the Argentine Consejo de la Magistratura (judicial council), which has the authority to appoint judges, present charges against them and suspend or remove them. As of the date of this annual report, several aspects of this legislation have been struck down as unconstitutional by the Argentine Supreme Court.

On August 7, 2014, Law No. 26,944 on State Responsibility was enacted to regulate the liability of the Argentine Government and public officers, including state liability for unlawful and lawful actions. Such law governs the responsibility of the Argentine Government regarding the damages that its activity or inactivity may cause to individuals' properties or rights. Additionally, Law No. 26,944 establishes that the Argentine Government's responsibility is objective and direct, that the provisions of the civil and commercial codes are not applicable to the actions of the Argentine Government in a direct or subsidiary manner and that no dissuasive financial penalties may be imposed on the Argentine Government, its agents or officers. Additionally, Law No. 26,944 provides that the Argentine Government shall not be liable for the damages caused by public services concessionaires.

On September 18, 2014, the Argentine Congress enacted Law No. 26,991 amending Law No. 20,680 (the "Supply Law"), which became effective on September 28, 2014, to increase control over the supply of goods and provision of services. The Supply Law applies to all economic processes linked to goods, facilities and services which, either directly or indirectly, satisfy basic consumer needs ("Basic Needs Goods") and grants a broad range of powers to its enforcing agency. It also grants the enforcing agency the power to order the sale, production, distribution or delivery of Basic Needs Goods throughout Argentina in case of a shortage of supply. The Supply Law includes the ability of the Argentine Government to regulate consumer rights under Article 42 of the Constitution and permits the creation of an authority to maintain the prices of goods and services (the "Observer of Prices of Goods and Services"). The Supply Law, as amended: (i) requires the continued production of goods to meet basic requirements; (ii) creates an obligation to publish prices of goods and services produced and borrowed; (iii) allows financial information to be requested and seized; and (iv) increases fines for legal entities and individuals. Additionally, on September 18, 2014 the Argentine Congress enacted Law No. 26,993, amending, among other laws, Law No. 25,156, which provides (i) the creation of a preliminary system where consumers may request a settlement of their complaints with companies, (ii) the incorporation of a new branch within the Judicial Power, namely the "National Courts on Consumer Relations" and (iii) the amendment of Law No. 24,240 (the "Consumer Defense Law"). Such reforms and creation of the Observer of Prices of Goods and Services could adversely affect our operations.

On October 1, 2014, the Argentine Congress approved the reform, update and unification of the National Civil and Commercial codes. A single new National Civil and Commercial Code became effective on August 1, 2015. In addition, more recently the Argentine Congress has passed certain laws such as those reforming the pension system and establishing corporate criminal liability for certain corrupt practices and a tax law reform (see *"The impact of congressional and presidential elections on the future economic and political environment of Argentina remains uncertain, but likely to be material"*).

The implementation of the aforementioned legislation had modified Argentina's legal system. Future changes in applicable laws and regulations (including as a result of a change in government administration), administrative or judicial proceedings, including potential future claims by us against the Argentine Government, cannot be predicted and we cannot assure you that such changes will not adversely affect our business, financial condition and results of operations.

***Current investigations being conducted on corruption in Argentina could have an adverse impact on the development of the Argentine economy and on investor confidence***

As of the date of this annual report, several Argentine businessmen, mainly related to the public works, and former government officials of the former Fernández de Kirchner administration are being investigated for inappropriate gifts and unlawful association. On September 17, 2018, prosecution for unlawful association began against the former president of Argentina, Cristina Fernández de Kirchner, and several businessmen and the Argentine court with jurisdiction over the process ordered an attachment on some of their assets worth Ps. 4 billion.

Depending on the results of such investigations and the time it takes to complete them, the companies involved could face, among other consequences, a decrease in their credit rating, claims from their investors, as well as restrictions on financing through capital markets. These adverse effects could hinder the ability of these companies to meet their financial obligations on time. In relation to the above, the lack of future financing for these companies could affect the realization of the projects or works that are currently in execution.

Likewise, the effects of these investigations or any future investigation could affect the levels of investment in infrastructure in Argentina, as well as the continuation, development and completion of public works projects and public-private participation (PPP) projects, which could ultimately lead to lower growth of the Argentine economy.

We cannot estimate the impact that these investigations could have on the Argentine economy. Similarly, the duration of the corruption investigations cannot be predicted, nor can it be determined what other companies might be involved or how far-reaching the effects of these investigations might be, particularly in the energy sector, or if there will be any other future investigations in this or other industry, which may negatively impact the Argentine economy. In turn, the decrease in investor confidence resulting from any of these, among other issues, could have a significant adverse effect on the growth of the Argentine economy, which could, in turn, harm our business, our financial condition and the results of our operations, and affect the trading price of our Class B common shares and ADSs.

***Any downgrade in the credit rating or rating outlook of Argentina could adversely affect both the rating and the market price of our ADS and our Class B common shares***

Argentina's long-term debt denominated in foreign currency is currently rated "B2" by Moody's, "B" by S&P and "B" by Fitch. Although Moody's currently maintains a stable outlook, on November 7, 2018, Fitch revised its outlook of Argentina's long-term and short-term sovereign credit rating from stable to negative, primarily as a result of the sharply weaker economic activity and uncertain prospects for multiyear fiscal consolidation and market financing availability as IMF funds are utilized, posing risks to sovereign debt sustainability. In addition, on November 13, 2018, S&P downgraded Argentina's long-term and short-term sovereign credit ratings from "B+" to "B," primarily as a result of an erosion of the Argentine debt profile, the economic growth trajectory and the dynamics of inflation against the backdrop of the implementation of a challenging economic adjustment program. There can be no assurance that Argentina's credit rating or rating outlook will not be downgraded in the future, which could have an adverse effect both on the rating and the market price of our ADS and Class B common shares.

**Risks Relating to the Electricity Distribution Sector**

***The Argentine Government has intervened in the electricity sector in the past, and may continue intervening***

Historically, the Argentine Government has exerted a significant influence on the economy, including the energy sector, and companies such as us that operate in such sector have done so in a highly regulated context that aims mainly at guaranteeing the supply of domestic demand.

To address the Argentine economic crisis in 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 nominal distribution 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 user increases in costs due to regulatory charges and the introduction of a new price-setting mechanism in the wholesale electricity market (the “WEM”) which had a significant impact on electricity generators and generated substantial price differences within the market. From time to time, the Argentine Government intervened 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 were 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.

On December 17, 2015, the Argentine Government issued Decree No. 134/15 declaring the emergency of the national electricity sector which was in effect until December 31, 2017, and instructing the ME&M to adopt any measure the ME&M deemed necessary regarding the generation, transmission and distribution segments, to adjust the quality and guarantee the provision of electricity. The emergency declaration was not renewed.

During 2017, the Argentine Government, through the relevant agencies enacted several resolutions to establish the penalties regime and adjust tariffs. On February 1, 2017, the RTI process was completed and a new tariff scheme for the following five year period was enacted.

Notwithstanding the recent measures adopted, we cannot assure you that certain other regulations or 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 regulations in the future that may increase our obligations, including increased taxes, unfavorable alterations to our tariff structures or remuneration scheme and other regulatory obligations, compliance with which would increase our costs and may have a direct negative impact on our results of operations and cause the market value of our ADSs and Class B common shares to decline. See “Item 4. Information on the Company—Our Business Overview—Edenor Concession.”

***The Argentine Government signed an agreement with the Province of Buenos Aires and the City of Buenos Aires for the transfer of the public service of electricity distribution.***

Pursuant to Law No. 27,467, which enacted the 2019 Federal Budget of Expenditures and Resources, the Executive Branch was instructed to promote the transfer of Edenor’s jurisdiction to the jurisdiction of the Province of Buenos Aires and the City of Buenos Aires as from January 1, 2019 and the creation of a new oversight body. On February 28, 2019, the Argentine Government, the Province of Buenos Aires and the City of Buenos Aires entered into an agreement for the transfer of the public service of electricity distribution duly awarded to Edenor under the Concession Agreement (as defined below) entered into by the Argentine Government (including the Concession Agreement), to the joint jurisdiction of the Province of Buenos Aires and the City of Buenos Aires. Pursuant to such agreement, the Province of Buenos Aires and the City of Buenos Aires will create a new entity in lieu of the ENRE, in charge of controlling and regulating the distribution service. It was also agreed that the Federal Government shall be the sole responsible for any and all debts and credits relating to the distribution service awarded to Edenor which cause is prior to February 28, 2019. As of the date of this annual report there are certain major issues related to such transfer still to be defined, including, among others, the continuation of the existing Concession Contract as is; whether the federal legal and regulatory framework shall continue to apply or not; and the solution of claims and debts between Edenor and the Federal Government resulting from the Contractual Transition Period ended on January 31, 2016. An agreement addressing those matters is expected to be entered into between the Company and the Federal Government, the Province of Buenos Aires and the City of Buenos Aires within the next months. We cannot assure that such transfer or any action or omission from the transferees following the consummation of such transfer will not have an adverse effect on our business, financial condition or results of operations or would not have a negative impact on the market value of our ADSs and Class B common shares.

***There is uncertainty as to what other measures the Argentine Government may adopt in connection with tariffs on public services and their impact on the Argentine economy***

As explained in other risk factors in this annual report, following the economic crisis of 2001-2002, the subsequent freeze on electricity rates in Pesos and the significant devaluation of the Argentine Peso against the U.S. Dollar, there was a lack of investment in the distribution capacities of electricity and, at the same time, demand for electricity increased substantially.

In response, the Macri administration announced several measures, including the revision of subsidy policies, Decree No. 134/2015 of December 16, 2015, which placed the national electricity system in a state of emergency until December 31, 2017 and Decree No. 367/2016 of February 16, 2016, which instructed the ministries, including the ME&M to continue the procedures related to the renegotiation of contracts related to the provision of public services and their RTI, among which are the distribution of electricity.

On February 1, 2017, the RTI process was completed. Through Resolution No. 63/17 (amended by ENRE Resolutions No. 82/17 and No. 92/17), the ENRE approved a rate of return for us of 12.46% before taxes. The resulting income was determined by applying the Net Replacement Value ("NRV") methodology, over a slightly lower base capital than the one we had submitted in our proposal, reaching an amount of Ps.34 billion. The difference with our proposal was mainly explained by the fact that the ENRE excluded the fully depreciated assets from the regulatory net asset base. Moreover, the ENRE stated that our acknowledged remuneration as of December 2015 was Ps.12.5 billion, which adjusted to February 2017 reached to Ps.17.2 billion. The ENRE also established a non-automatic mechanism to adjust our tariffs, as it had done under the original Concession Agreement and the Adjustment Agreement (as defined below), in order to preserve the economic and financial sustainability of the concession in the event of price fluctuations in the economy. This mechanism has a biannual basis and includes a combined formula of wholesale and consumer price indexes (WPI, CPI and salaries increases) which trigger the adjustment of tariffs when the result is above 5%.

Edenor filed an administrative appeal (*recurso de reconsideración*) against ENRE's Resolution No. 63/17. On October 25, 2017, the ENRE, through Resolution No. 524/17, rejected the appeal filed by Edenor.

On January 31, 2018, the ENRE issued Resolution No. 33/18 which approved the new distribution cost for Edenor to be applied as from February 1, 2018 and the new tariff scheme.

Furthermore, such resolution approved the new CPD adjustments (last stage of 17% according to Resolution. No 63/17, including the inflation adjustment of 11.9% for the period July 2017-December 2017 and a stimulus factor "E" of negative 2.51%) and determined the deferred income to be recovered in 48 instalments for a total amount of Ps.6,343.4 million. Additionally, it reported that the price of the average tariff reached Ps.2.4627/ KWh.

Notwithstanding the measures adopted recently, there is uncertainty as to what measures the Argentine Government may adopt in connection with tariffs, whether tariffs will be updated from time to time to reflect an increase in operating costs, and their impact on the Argentine economy.

***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, which established a fixed exchange rate of one Peso per U.S. Dollar, distribution tariffs were calculated in U.S. Dollars and distribution margins were adjusted periodically to reflect variations in U.S. inflation indexes. However the Public Emergency Law, which came into effect in January 2002, froze all distribution margins, revoked all margin adjustments provisions in distribution concession agreements and converted distribution tariffs into Pesos at a rate of Ps.1.00 per U.S.\$1.00. These measures, coupled with the effect of high inflation and the devaluation of the Peso, led to a decline in distribution revenues and an increase of distribution costs in real terms, which could no longer be 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 commercial debt (which continued to be denominated in U.S. Dollars despite the pesification of revenues), effectively preventing these companies from obtaining further financing in the domestic or international credit markets and making additional investments.

In the past, the Argentine Government granted temporary and partial relief to some distribution companies, including limited increases in distribution margins, a temporary cost adjustment mechanism which was not fully implemented and the ability to apply certain additional charges to users.

Although as of the date of this annual report, the Argentine Government completed the process after RTI for distributors and the declaration of emergency expired and was not renewed. We cannot assure you that these recent measures will be sufficient to address the structural problems created for our Company by the economic crisis and in its aftermath. Our inability to cover the costs 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***

From 2013 through 2018, electricity demand in Argentina increased by 6%, which in part reflects the relative low cost, in real terms, of electricity to users due to the freezing of distribution margins, the establishment of subsidies in the purchase price of energy and the elimination of the inflation adjustment provisions in distribution concessions, coupled with the devaluation of the Peso and inflation through 2018.

We cannot make any assurance that recent increases or any future increases in the cost of electricity will not have a material adverse effect on electricity demand or result in a decline in collections from users. In this respect, we cannot assure you that these measures or any future measure will not lead electricity companies, like us, to record lower revenues and results of operations, which may, in turn, have a material adverse effect on the market value of our ADSs.

***If the demand for energy is increased suddenly, the difficulty in increasing the capacity of distribution companies in a short or medium term, could adversely affect the Company, which in turn could result in customer complaints and substantial fines for any interruptions***

In recent years, the increase in electricity demand was greater than the structural increase in electricity distribution capacities, which led to power shortages and disruptions, in certain occasions. A sustained increase in electricity demand could generate future shortages. In addition, 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. Although there were several investments in generation during 2017 and 2018, which would increase the installed capacity power in the coming years, the highest density of investments was concentrated in the Greater Buenos Aires area. It is still necessary to make several investments in the transmission and distribution system to guarantee the delivery of electricity to the user and reduce the frequency of interruptions. During December 2013, an increase in demand for electricity resulted in energy shortages and blackouts in Buenos Aires and other cities around Argentina.

Additionally, according to Argentine law, distribution companies, such as us, are responsible to their users for any disruption in the supply of electricity. Consequently, customers can direct their claims to the distribution companies. Also, distribution companies are subject to fines and penalties for service disruptions caused by energy shortages, unless the respective Argentine authorities determine that energy shortages constitute force majeure events. As a result, we could face user claims and fines and penalties for service disruptions caused by energy shortages unless the relevant Argentine authorities determine that energy shortages constitute force majeure. 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. We cannot assure that we will not experience a lack in the supply of energy or that 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.

## **Risks Relating to Our Business**

**We operate our business pursuant to our Concession Agreement granted by the Argentine Government, the revocation or termination of which would have a material adverse effect on our business.**

We conduct our business pursuant to our Concession Agreement granted by the Argentine Government. Such agreement contains several requirements regarding the operation of our business and compliance with laws and regulations. Compliance with our obligations under our Concession Agreement is, in certain cases, secured by a pledge of our shares in favor of the Argentine Government. Accordingly, upon the occurrence of specified events of default under our Concession Agreement, the Argentine Government would be entitled to foreclose on its pledge of our Class A common shares to a third party. Such sale would have a severe negative impact on our ability to operate a material portion of our business, and as a result, our results of operations would be materially adversely affected. Finally, our Concession Agreement also generally provides for termination in the case of our insolvency or bankruptcy. If our Concession Agreement is terminated or if the Argentine Government forecloses its pledge over Class A common shares, we may not be able to continue to operate as a going concern, and in turn our consolidated results of operations would be materially adversely affected and the market value of our Class B common shares and ADSs could decline.

**If we are not able to effectively hedge our currency risk in full and a devaluation of the Argentine Peso occurs, our results of operations and financial condition could be materially adversely affected**

Our revenues are mainly collected in Pesos, although the remuneration scheme (i) set forth by the Electric Energy Secretariat ("SEE") Resolution No. 1/19 establishes U.S. Dollar denominated prices, but the payment is made in Pesos by applying the Central Bank's exchange rate effective on the day before the expiration date, and (ii) for other contracts with *Compañía Administradora del Mercado Mayorista Eléctrico Sociedad Anónima* ("CAMMESA") established U.S. Dollar -denominated prices but the payment is made in Pesos by applying the Central Bank's exchange rate effective on the last business day of the month of the applicable transaction, adjusted through credit or debit notes, as appropriate, to consider the Central Bank's exchange rate of the day before the expiration date, in accordance with CAMMESA's procedures. As a result, we are exposed to an exchange rate risk between the collection date and the payment date (in the event of CAMMESA does not pay at the date) of U.S. Dollars-denominated financial indebtedness. In addition, a significant portion of our existing financial indebtedness is denominated in U.S. Dollars, which exposes us to the risk of loss from the devaluation of the Peso. During 2018, our hedging contracts did not cover all of our exposure to such depreciation. If we are not able to effectively hedge all or a significant portion of our currency risk exposure, a devaluation of the Peso, may significantly increase our debt service burden, which, in turn, may have a material adverse effect on our financial condition and results of operations.

**Downgrades in our credit ratings could have negative effects on our funding costs and business operations**

Credit ratings are assigned to the Company. The credit ratings are based on information furnished by us or obtained by the credit rating agencies from independent sources and are also influenced by the credit ratings of Argentine Government bonds and general views regarding the Argentine financial system as a whole. The credit ratings are subject to revision, suspension or withdrawal by the credit rating agencies at any time. A downgrade, suspension or withdrawal in our credit ratings could result in, among others, the following: (i) increased funding costs and other difficulties in raising funds; (ii) the need to provide additional collateral in connection with financial market transactions; and (iii) the termination or cancellation of existing agreements. As a result, our business, financial condition and results of operations could be materially and adversely affected.

**Our business is subject to risks arising from natural disasters, catastrophic accidents and terrorist attacks. Additionally, our businesses are subject to the risk of mechanical or electrical failures and any resulting unavailability may affect our ability to fulfill our contractual commitments and thus adversely affect our business and financial performance**

The electric power distribution infrastructure that we rely on, may be damaged by flooding, fires, earthquakes and other catastrophic disasters arising from natural or accidental or intentional human causes. We could experience severe business disruptions, significant decreases in revenues based on lower demand arising from catastrophic events, or significant additional costs to us not otherwise covered by business interruption insurance clauses. There may be an important time lag between a major accident, catastrophic event or terrorist attack and our definitive recovery from our insurance policies, which typically carry non-recoverable deductible amounts, and in any event are subject to caps per event. In addition, any of these events could cause adverse effects on the energy demand of some of our customers and of consumers generally in the affected market. Some of these considerations, could have a material adverse effect on our business, financial condition and our result of operations.



Additionally, our assets are subject to the risk of mechanical or electrical failures and may experience periods of unavailability affecting our ability to fulfill our contractual commitments. Any unplanned unavailability of our assets may adversely affect our financial condition or results of operations and our ability to fulfill our contractual commitments, so we could be subject to fines and penalties.

***Our operations could cause environmental risks and any change in environmental laws could increase our operating costs***

Some of our operations are subject to environmental risks that could arise unexpectedly and cause material adverse effects on our results of operations and financial condition. In addition, the occurrence of any of these risks could lead to personal injury, loss of life, environmental damage, repair and expenses, equipment damage and liability in civil and administrative proceedings. We cannot assure you that we will not incur additional costs related to environmental issues in the future, which could adversely affect our results of operations and financial condition. In addition, we cannot ensure that our insurance coverage is sufficient to cover the losses that could potentially arise from these environmental risks.

In addition, we are subject to a broad range of environmental legislation, both in Argentina. Local, provincial and national authorities in Argentina may implement new environmental laws and regulations and may require us to incur higher costs to comply with new standards. The imposition of more stringent regulatory and permit requirements in relation to our operators in Argentina could significantly increase the costs of our activity.

We cannot predict the general effects of the implementation of any new environmental laws and regulations on our financial condition and results of operations.

***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, affected our capacity to perform our commercial obligations and could also have a material adverse effect on our ability to perform our financial obligations***

Since the execution of the agreement entered into between us and the Argentine Government in February 2006 relating to the adjustment and renegotiation of the terms of our concession (*Acta Acuerdo sobre la Adecuación del Contrato de Concesión del Servicio Público de Distribución y Comercialización de Energía Eléctrica* or the “Adjustment Agreement”) and as required by them, we were engaged in an RTI with the ENRE through February 1, 2017.

The Adjustment Agreement contemplated a cost adjustment mechanism for the transitional period during which the RTI process was being conducted. This mechanism, known as the Cost Monitoring Mechanism (“CMM”), required 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 could also request that the ENRE apply the CMM at any time that the variation in our distribution cost base was at least 10% or more. Any adjustments, however, were subject to the ENRE’s assessment of variations in our costs, and the ENRE’s approval of adjustments were not sufficient to cover our actual incremental costs in a timely manner. During such time, even when the ENRE approved adjustments to our tariffs, there was a lag between the time when we actually experienced increases in our distribution costs and the time when we received increased income following the corresponding adjustments to our distribution margins pursuant to the CMM.

As a result of the foregoing, during the years ended December 31, 2014, 2012 and 2011, we recorded negative operating results and net results, and thus our working capital and liquidity levels were negatively affected (even in 2013), primarily as a result of the delay in obtaining tariff increases to reflect increases in our distribution costs, coupled with a constant increase in operating costs to maintain adequate service levels all of which affected our capacity to perform our commercial obligations. In this context and in light of the situation that affected the electricity sector, the ENRE issued Resolution No. 347/12 in November 2012, which established the application of fixed and variable charges that allowed the Company to obtain additional revenue as from November 2012 through 2016. However, changes made by Resolution No. 250/13 and Notes No. 6,852/13, No. 4,012/14, No. 486/14 and No. 1,136/14 of the SE and additional revenue obtained through Resolution No. 347/12 were insufficient to make up for our operating deficit in 2014, due to the constant increase in operating costs.

In March 2015, Resolution No. 32/15 of the former SE granted us a temporary increase in income through funds provided by CAMMESA applicable retroactively as from February 1, 2015 through February 1, 2016, to cover costs and investments associated with the regular provision of the public service of distribution of energy on account of the RTI.

In January 2016, the ME&M issued Resolution No. 7/16, pursuant to which the ENRE implemented a VAD adjustment to the tariff schedule on account of the future RTI in effect as of February 1, 2016.

In addition, such resolution: (i) abrogated the PUREE; (ii) repealed Resolution No. 32/15 as from the date the ENRE resolution implementing the new tariff schedule becomes effective; (iii) discontinued the application of mechanisms that imply the transfer of funds from CAMMESA in the form of loan agreements with CAMMESA; (iv) ordered the implementation of the actions required to terminate the trusts created pursuant to Resolution No. 347/12 of the ENRE and (v) prohibited the distribution of dividends in accordance with Section 7.04 of the Adjustment Agreement.

However, pursuant to Resolution No. 7/16, the ENRE issued Resolution No. 1/16 establishing a new tariff structure, which remained in force (with certain suspensions as a result of injunctions, which are no longer in effect) until February 2017, when the RTI process was completed.

Prior to the completion of the RTI process, several regulatory mechanisms, programs or changes were implemented from time to time by the ENRE to adjust our tariffs to reflect increased costs. Any requested adjustments were usually subject to the ENRE's assessment of variations in our costs, and not sufficient to cover our actual incremental costs in a timely manner.

On April 1, 2016, the ENRE issued Resolution No. 55/16, which approved the program for the review of the distribution tariff scheme, establishing the criteria and methodologies for completing the RTI process.

On September 5, 2016, pursuant to Resolution No. 55/16, we submitted our rate schedule proposal for the following five-year period. On October 28, 2016, a public hearing was held to provide information and listen to the public opinion on the RTI.

The RTI was completed on February 1, 2017, on which date the ENRE issued Resolution No. 63/17, through which it approved a new tariff scheme that established our new distribution added value (VAD) for the following five-year period. For more information, see "Item 5—Operating and Financial Review and Prospects—Integral Tariff Revision". On January 31, 2018, the ENRE issued Resolution No. 33/18 approving the new distribution cost for Edenor applicable as from February 1, 2018 and the new tariff scheme applicable to Edenor. On July 31, 2018, the ENRE issued Resolution No. 208/18, pursuant to which it approved, the CPD for January 2018 through June 2018 of which 7.93% was applied as of August 1, 2018, and 6.51% in six consecutive monthly installments as of February 1, 2019. The CPD amounted to 15.85%.

However, if we are not able to recover all future cost increases and have them reflected in our tariffs, and/or if there is a significant lag of time between when we incur the incremental costs and when we receive increased income 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, could have a material adverse effect on our business and results of operations and may cause the value of our ADSs and Class B common shares to decline.

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

In the recent years, our tariffs have been challenged by Argentine consumer associations, such as the action brought against us in December 2009, by an Argentine consumer association (*Unión de Usuarios y Consumidores*) seeking to annul certain retroactive tariff increases, which was ultimately dismissed by the Argentine Supreme Court of Justice on October 1, 2013.

In May 2016, we were notified by several courts of the Province of Buenos Aires of certain injunctions granted to individual and collective users against Resolution No. 6/16 and Resolution No. 1/16 issued by the ENRE (which authorized our new tariff schedule as from February 2016). Consequently, the then applicable tariff schedule, which included the WEM prices established by Resolution No. 6/16, were not applied during certain periods in 2016 (i) to the entire concession area as a result of the injunctions issued in the “Abarca” case and (ii) to the districts of “Pilar” and “La Matanza”, where injunctions remained in effect until October 24 and November 11, 2016, respectively, when they expired. Therefore, as of those dates, tariff increases have been applied to all users. If any future legal challenge were successful and prevented us from implementing any tariff adjustments granted by the Argentine Government, we could face a decline in collections from our users, and a decline in our results of operations, which could have a material adverse effect in our financial condition and the market value of our ADSs and Class B common shares.

***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 imposed by regulatory authorities, including for reasons outside our control, such as service disruptions attributable to problems at generation facilities or in the transmission network that result in a lack of electricity supply. Since 2001, the amount of fines and penalties imposed on our Company has increased significantly. As of December 31, 2018, 2017 and 2016, our accrued fines and penalties totaled Ps.6,933 million, Ps.6,133 million and Ps.6,511 million, respectively (taking into account adjustments made to fines and penalties following the ratification of the Adjustment Agreement and recent regulation). See “Item 4. Information on the Company—Our Business Overview—Fines and Penalties.”

On October 19, 2016, pursuant to Note No. 123,091 the ENRE established the average rate values (Ps./KWh) to be applied as from December 2012, for calculating the penalties payable to the Argentine Government. In accordance with the terms of the Concession Agreement, such values should correspond to the average sale price of energy charged to users. Since the amounts set forth in the note were not consistent with the principle contained in our Concession Agreement, on November 1, 2016, the Company submitted a claim to the ENRE requesting that the amounts in Note No. 129,061 be modified to reflect the amounts contained in the Concession Agreement. As of the date of this annual report, we had received the response from the ENRE (Note No. 129,061), which clarified that the increases or adjustments are not applicable, and only the values paid by the users should be considered.

On February 1, 2017, the ENRE issued Resolution No. 63/17, through which it approved new parameters related to the quality standards, with the purpose of achieving an acceptable quality level by the end of the 2017-2021 period. In this regard, the ENRE established a penalty regime to be applied in the event of non-compliance with the requisite quality rates.

On March 29, 2017, through Note No. 125,248 the ENRE established a new methodology for the calculation of fines and penalties, determining that they must be valued according to the KWh values in effect as of the first day of the six-month period during which the event giving rise to the penalty occurred or the KWh values in effect as of the day of the occurrence of the event in the case of penalties arising from specific events.

In addition, fines and penalties, accrued and not imposed during the transition period of the Adjustment Agreement must be updated using the CPI that the Central Bank uses to elaborate the Multilateral Real Exchange Rate Index (“TCRM”), corresponding to the month prior to the six-month period during which the event giving rise to the penalty occurred or the month prior to that on which the specific penalty event occurred, till the previous month of the day on which the penalty was imposed. Those fines and penalties accrued and imposed since the date of issuance of the Note No. 120,151 through the completion of the RTI on February 1, 2017 (i.e., the period between April 2016 and February 2017) must also be updated using the CPI.

Furthermore, we cannot assure that we will have the ability to comply with the quality standards set forth by Resolution No. 63/17. In the case of penalties which had been imposed but are still unpaid, the 30-day interest rate of the *Banco Nación* corresponding to commercial discounts applies, as from the day when the penalty was imposed through the date of payment.

Despite the issuance of Resolution No. 63/17, the treatment to be given to the penalties and reductions is still pending settlement.

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 and Class B common shares.

***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 users 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 in Argentina, we were able to reduce the high level of energy losses experienced at the time of the privatization down 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, in turn, in the number of delinquent accounts and fraud. Although we continue to make investments to reduce energy losses, these losses continue to exceed the average 10% loss factor contemplated by the concession and, based on the current tariff schedule and the economic turmoil, we do not expect these losses to decrease in the near term. Our energy losses amounted to 18.2% in 2018, 17.1% in 2017 and 17.0% in 2016. We cannot assure you that our energy losses will not continue to increase in future periods, which may lead to lower margins and could adversely affect our financial condition, our results of operations and the market value of our Class B common shares and ADSs.

***The Argentine Government could foreclose on its pledge over 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 Agreement and the provisions of the Adjustment Agreement, the Argentine Government has the right to foreclose on its pledge over our Class A common shares and sell these shares to a third party buyer if:

- the fines and penalties incurred 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 creates any lien or encumbrance over our Class A common shares (other than the existing pledge in favor of the Argentine Government);
- our controlling shareholder 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.

On February 1, 2017, the ENRE issued Resolution No. 63/17 establishing the new tariff scheme resulting from the completion of the RTI process, for the following five-year period. In accordance with the provisions of the Adjustment Agreement, Electricidad Argentina S.A. ("EASA") (currently merged into Pampa Energia S.A.) and EDF International S.A. ("EDFI") withdrew their ICSID claim, and on March 28, 2017, the ICSID acknowledged the discontinuance of the procedure.

In 2018, our fines and penalties remained below 20% of our gross energy sales. See “Item 4. Information on the Company—Our Concession—Fines and Penalties.”

If the Argentine Government were to foreclose on its pledge of our Class A common shares, pending the sale of those shares, the Argentine Government would also have the right to exercise the voting rights associated with such shares. In addition, the potential foreclosure by the Argentine Government on its pledge over our Class A common shares could be deemed to constitute a change of control under the terms of our Senior Notes due 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 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 Class B common shares and ADSs could also be affected.

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

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

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

Certain restrictions on imports that may be adopted in the future by the Argentine Government could limit or delay our ability to purchase capital goods that are necessary for our operations (including carrying out specific projects). Under our concession, we are obligated to satisfy all of the demand for electricity originated in our concession area, maintaining at all times certain service quality standards that have been established for our concession. If we are not able to purchase significant capital goods to satisfy all of the demand or suffer unexpected delays in the import process, we could face fines and penalties which may, in turn, adversely affect our activity, financial position, results of operations and/or the market value of our ADSs and Class B common shares.

***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, 2018, approximately 83% of our 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 demonstrations or work stoppages, our results of operations, financial conditions and the market value of our ADSs and Class B common shares 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, 2018, we had approximately 7,397 third-party employees under contract. Although we have very strict policies regarding compliance with labor and social security obligations by contractors, we are not in a position to ensure that contractors will not initiate legal actions to seek indemnification from us based upon a number of judicial rulings issued by labor courts in Argentina which have recognized joint and several liability between the 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 would be favorable to us. If we were to incur material labor liabilities in connection with our outsourcing, such liabilities could have an adverse effect on our financial condition, our results of operations and the market value of our Class B common shares and 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 are involved in various legal proceedings which could result in unfavorable decisions for us which could in turn have a material adverse effect on our financial position and results of operations***

We are party to a number of legal proceedings, some of which have been pending for several years. We cannot be certain that these claims will be resolved in our favor, and responding to the demands of litigation may divert our management's time and attention and our financial resources and unfavorable decisions may have a material adverse effect on our financial position and results of operations. See "Item 8. Legal Proceedings."

***We may be unable to collect all or a portion of our claim against RDSA or Aseguradores de Caucciones, which could in turn have a material adverse effect on our financial position and results of operations***

In connection with the purchase and construction of real estate property from Ribera Desarrollos S.A. (the "Seller" or "RDSA") for a total of U.S.\$46 million (equivalent to Ps.439.3 million using the effective exchange rate at the time of the execution of the purchase agreement), we have initiated an arbitration process as a result of a breach of contract claim filed against RDSA for damages, and were involved in a mandatory conciliation proceeding (mediación obligatoria) with Aseguradores de Caucciones S.A (the "Insurer" or "Aseguradores de Caucciones"), in order to collect the mentioned amount plus interest under the surety bond issued by the Insurer, which guaranteed RDSA's obligations, which proceeding ended in failure. Under Argentine law, such conciliation proceeding is a condition to pursuing collection proceedings in a court of law. As of the date of this annual report, RDSA had filed a voluntary petition for reorganization (similar to a Chapter 11 proceeding in the United States) and certain regulatory action of the Insurance Regulatory Agency (Superintendencia de Seguros de la Nación) had imposed a restriction on the Insurer's ability to make dispositions over its assets until a certain liquidity deficiency is solved; it is therefore uncertain if we will be able to collect the claimed amounts in full or at all (See "Item 4-Information on the Company-Property, Plant and Equipment-Termination of agreement on real estate property"). In the event we are unable to collect from RDSA or Aseguradores de Caucciones, such situation may have a material adverse effect on our financial position 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, 2018, our physical assets were insured for up to U.S.\$1,603.9 million. However, we do not carry insurance coverage for losses caused by our network or business interruption, including for loss of our concession. See "Item 4. Information on the Company-Our Business-Insurance." Although we believe our insurance coverage is commensurate with standards for the distribution industry, no assurance can be given of the existence or sufficiency of risk coverage for any particular risk or loss. If an accident or other event occurs that is not covered by our current insurance policies, we may experience material losses or have to disburse significant amounts from our own funds, which may have a material adverse effect on our financial condition and results of operations and the market value of our Class B common shares and 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 in aid of enforcement of a court judgment. Accordingly, the enforcement of judgments obtained against us by our shareholders may be substantially limited to the extent our shareholders seek to attach those assets to obtain payment on their judgment.

***The loss of exclusivity to distribute electricity in our service area may be adversely affected by technological or other changes in the energy distribution industry, which would have a material adverse effect on our business***

Although our concession grants us the exclusive right to distribute electric energy within our service area, this exclusivity may be revoked in whole or in part if technological developments would 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 may 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 Class B common shares and 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 owned 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, 2018, we owed approximately Ps.11.9 billion to CAMMESA (including interest accrued as of December 31, 2018). This commercial debt is due and unpaid and we have not secured any waivers from CAMMESA. If CAMMESA requested that we repay such debt in a single payment, we may be unable to raise the funds necessary 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.

On April 26, 2017, we were notified through Note No 2016-01193748 that the ME&M decided that the SEE with the support of the Under-Secretariat for Tariff Policy Coordination and the ENRE, would be responsible for determining (within a period of 120 days) whether any pending obligations under the Adjustment Agreement remained outstanding as of the effective date of the applicable electricity tariff schedules resulting from the implementation of the RTI process. If any such obligations remained outstanding, the treatment to be given to those obligations was also to be determined by the SEE as described above. The Company has submitted the information requested by the ME&M as part of its efforts to comply with these requirements. However, as of the date of this annual report, due to the fact that a definitive decision on the treatment of these obligations is still pending, the Company started negotiations with the SEE thereon.

***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, U.S.\$161.6 million of our financial debt was represented by our Senior Notes due 2022 (the "Senior Notes due 2022"). Under the indenture for the Senior Notes due 2022, certain expropriation and condemnation events with respect to us may constitute an event of default, which, if declared, could trigger the 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 *concurso preventivo*. If we are not able to comply with 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 *concurso preventivo*. In addition, all of our outstanding financial indebtedness also contains cross-default provisions or cross-acceleration provisions that could cause all of our debt to be accelerated if the debt containing expropriation 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 such potential situation, but in case those waivers are not timely obtained and immediate repayment is required, we could face short-term liquidity problems, which could adversely affect our results of operations and cause the market value of our ADSS and Class B common shares to decline.

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

As of the date of this annual report, U.S.\$161.6 million of our financial debt is represented by the Senior Notes due 2022. Under the indenture for the Senior Notes due 2022, if a change of control occurs, we must offer to repurchase 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 2022 upon a change of control. If we fail to repurchase such notes in circumstances that may constitute an event of default under the indenture, which may in turn trigger cross-default provisions in other of our debt instruments then outstanding, our results of operations could be adversely affected and the market value of our ADSs and Class B common shares could decline.

***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/or the Buenos Aires Stock Exchange ("BASE") may suspend and/or cancel the listing of our ADSs and Class B common shares, respectively, 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 the BASE will not commence any suspension or delisting procedures in light of our 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 NYSE and/or the 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.

***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 users 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.



***Cybersecurity events, such as a cyber-attack could adversely affect our business, financial condition, results of operations and cash flows***

We depend on the efficient and uninterrupted operation of internet-based data processing communication and information exchange platforms and networks, including administrative and business related systems (such as Supervisory Control and Data Acquisition (“SCADA”) and DCS Software, Inc. (“DCS”)). Cybersecurity 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 to the internet. Due to the critical nature of our infrastructure and the increased accessibility enabled through connection to the internet, we may face a heightened risk of cybersecurity incidents such as computer break-ins, phishing, identity theft and other disruptions that could negatively affect the security of information stored in and transmitted through our computer systems and network infrastructure. In the event of a cyber-attack, we could have our business operations disrupted, property damaged and user 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. In addition, while we have not experienced any loss related to cybersecurity events, contingency plans in place may not be sufficient to cover liabilities associated with any such events and therefore, applicable insurance coverage may be deemed inadequate, preventing us from receiving full compensation for the losses sustained as a result of such a disruption. Although we intend to continue to implement security technology devices and establish operational procedures to prevent disruption resulting from, and counteract the negative effects of cybersecurity incidents within the next three years, it is possible that not all of our current and future systems are or will be entirely free from vulnerability and these security measures will not be successful. Accordingly, cybersecurity is a material risk for us and a cyber-attack could adversely affect our business, results of operations and financial condition.

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

***Restrictions on the movement of capital out of Argentina may impair the ability of holders of ADSs to receive dividends and distributions on, and the proceeds of any sale of, the Class B common shares underlying the ADSs, which could affect the market value of 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 this kind 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 could be reinstated in the future. 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, future 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. Also, certain of our indebtedness includes covenants limiting the payment of dividends. We cannot assure you that the Argentine Government will not take similar measures in the future. In such a case, the depositary for the ADSs may hold the Pesos it cannot otherwise convert for the account of the ADS holders who have not been paid. In addition, any future 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 Class B common shares and ADSs.

***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 Class B common shares under Argentine corporate law to protect their interests relative to actions by our board of directors may be fewer and less well-defined than those under the laws of those other jurisdictions. Although insider trading and price manipulation are illegal under Argentine law, the Argentine securities markets are not as highly regulated or supervised as the U.S. securities markets or markets in some other jurisdictions. In addition, rules and policies against self-dealing and regarding the preservation of shareholder interests may be less well-defined and enforced in Argentina than in the United States, putting holders of our Class B 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 one of our shareholders and, therefore, holders of ADSs will not have shareholder rights. The depositary will be the holder of the Class B 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 Class B 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 BASE, 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. 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.