

RISK FACTORS

Risks Related to Argentina

Overview

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

We cannot assure you that the 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 to decline.

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

The effects of a global or regional credit crisis and related turmoil in the global financial system may have a negative impact on our business, financial condition and results of operations, an impact that is likely to be more severe on an emerging market economy, such as Argentina. Such 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 effect of the economic crisis on our customers and on us cannot be predicted. Weak global and local economic conditions could lead to reduced demand or lower prices for energy, which could have a negative effect on our revenues. Economic factors such as unemployment, inflation and the availability of credit could also have a material adverse effect on demand for energy and, therefore, on our financial condition and operating results. Weak global and local economic conditions could lead to reduce demand or lower prices for energy, which could have a negative effect on our revenues. The financial and economic situation in Argentina or 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 for Argentine issuers. A similar global or regional financial crisis in the future could limit our ability to access credit or capital markets at a time when we require financing, thereby impairing our flexibility to react to changing economic and business conditions (see “Argentina’s ability to obtain financing from international markets is limited, in part due to the unresolved litigation with holdout bondholders, which may impair its ability to foster economic growth and, consequently, affect our business, results of operations and prospects for growth” above). 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 could adversely affect our 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 Argentine Peso against foreign currencies, the confidence among consumers and foreign and domestic investors and a stable rate of inflation.

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

- The gross domestic product (“GDP”) growth has declined, and previous GDP performance has depended to some extent on high commodity prices which, despite having a favorable long-term trend, are volatile in the short-term and beyond the control of the Argentine Government;
- Argentina’s public debt as a percentage of GDP remains high, the availability of long-term credit is scarce and international financing remains limited;
- continued increases in public expenditure could result in fiscal deficits and affect economic growth;
- inflation remains high and threatens to continue at those levels;
- investment as a percentage of GDP remains too low to sustain the growth rate of recent years;
- a significant number of protests or strikes could take place, as they have in the past, which could adversely affect various sectors of the Argentina economy;
- energy or natural gas supply may not be sufficient to supply increased industrial activity (thereby limiting industrial development) and consumption;
- unemployment and informal employment remains high; and
- in the climate created by the above-mentioned conditions, demand for foreign currency has grown, generating a capital flight effect to which the Fernández de Kirchner administration reacted in the past with regulations and currency exchange transfer restrictions.

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 to decline.

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

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

Presidential and congressional elections in Argentina took place on October 25, 2015, and a runoff election (*ballotage*) between the two leading Presidential candidates was held on November 22, 2015, which resulted in Mr. Mauricio Macri being elected President of Argentina. The Macri administration assumed office on December 10, 2015, and is expected to adjust longstanding fiscal and monetary policies that have resulted in recurrent public sector deficits, inflation and pervasive foreign exchange controls and limited foreign investment.

Since assuming office, the Macri administration has announced and already implemented several significant economic and policy reforms, including:

• *Electricity system state of emergency and reforms.* The Macri administration declared the state of emergency of the national electricity system that will remain in effect until December 31, 2017. The state of emergency allows the Argentine Government to take actions designed to guarantee the supply of electricity. In addition, following the Macri administration's announcement that it would reexamine energy subsidy policies, the MEAM increased electricity rates for the wholesale market for purchases made between February 1 and April 30, 2016. This increase is expected to be used to reduce subsidies to the sector. Also, through various Resolutions the Argentine Government has increased the tariff for generators and distributors, as described in this annual report (i.e., ENRE Resolution No. 1/2016 and SEE Resolution No. 22/2016).

- *INDEC reforms.* In light of questions raised by the International Monetary Fund ("IMF") regarding the reliability of the information produced by the INDEC, the Macri administration appointed Mr. Jorge Todesca, previously a director of a private consulting firm, as head of the INDEC. It is expected that the INDEC will implement certain methodological reforms and adjust certain macroeconomic statistics on the basis of these reforms. On January 8, 2016, Decree No. 55/2016 was issued by the Argentine government declaring a state of administrative emergency on the national statistical system and on the official agency in charge of the system, the INDEC, until December 31, 2016. Following the declared emergency, the INDEC has ceased publishing statistical data until a rearrangement of its technical and administrative structure is finalized. During the implementation of these reforms, however, the INDEC will use official CPI figures and other statistics published by the Province of San Luis and the City of Buenos Aires. Despite these expected reforms, there is uncertainty as to whether official data will be sufficiently corrected and within what time period such data will be corrected, and what effect these reforms will have on the Argentine economy and public accounts.
- *Foreign exchange reforms.* In addition, the Macri administration implemented certain reforms to the foreign exchange market regulatory framework that provide greater flexibility and easier access to the foreign exchange market. The principal measures adopted as of the date of this annual report include: (i) the elimination of the requirement to register foreign exchange transactions in the Argentine Tax Authority's ("AFIP") database; (ii) the elimination of the requirement to transfer the proceeds of new financial indebtedness transactions into Argentina and settle such proceeds through the single and free-floating foreign exchange market (the "MULC"); (iii) the reestablishment of the U.S.\$2.0 million monthly limit per resident on the creation of offshore assets; (iv) a decrease from 30% to 0% of the registered, non-transferable and non-interest-bearing deposit required in connection with certain transactions involving foreign currency inflows; (v) the reduction of the required period that the proceeds of any new financial indebtedness incurred by residents, held by foreign creditors and transferred through the MULC must be maintained in Argentina from 365 calendar days to 120 calendar days from the date of the transfer of the relevant amount; and (vi) the elimination of the requirement of a minimum holding period (72 business hours) for purchases and subsequent sales of the securities. In addition, on December 17, 2015, following the announcement of the lifting of a significant portion of exchange restrictions, the Peso depreciated approximately 36% against the U.S. Dollar. The exchange rate published by Banco Nación as of April 19, 2016, was Ps. 14.19 to U.S.\$1.00.
- *Foreign trade reforms.* The Macri administration eliminated export duties on wheat, corn, beef and regional products, and reduced the export duty on soybeans by 5% to 30%. Further, the 5% export duty on most industrial exports and export duties on mining exports were eliminated. With respect to payments of existing debts for imports of goods and services, the Macri administration announced the gradual elimination of amount limitations for access to the MULC and eliminated the amount for any new transactions. As of December 17, 2015, the amount limitations for such existing debt transactions are expected to gradually decrease and be eliminated in June 2016.
- *Financial Policy.* Soon after taking office, the Macri administration sought to settle the outstanding claims with holdout creditors. See "Argentina's ability to obtain financing from international markets is limited, in part due to the unresolved litigation with holdout bondholders, which may impair its ability to foster economic growth and, consequently, affect our business, results of operations and prospects for growth."

As of the date of this annual report, the impact that these measures and any future measures taken by the Macri administration will have on the Argentine economy as a whole, and the electricity sector in particular, cannot be predicted. While we believe that the effect of the planned liberalization of the economy will be positive for our business by stimulating economic activity, it is not possible to predict such effect with certainty and such liberalization could also be disruptive to the economy and fail to benefit or harm our business. In addition, there is uncertainty as to which measures announced during the Presidential campaign by the Macri administration will be taken and when. Since assuming office, the Macri administration has begun reviewing certain public employee contracts in several sectors and reformed energy and gas sector tariffs. However, we cannot predict how the Macri administration will address certain other political and economic issues that were central during the presidential election campaign, such as the financing of public expenditures, public service subsidies and tax reforms, or the impact that any measures related to these matters that are implemented by the Macri administration will have on the Argentine economy as a whole. In addition, political parties opposed to the Macri administration retained a majority of the seats in the Argentine Congress in the recent elections, which will require the Macri administration to seek political support from the opposition for its economic proposals and creates further uncertainty as to the ability of the Macri administration to pass any measure which it may expect to implement. Political uncertainty in Argentina relating to the measures to be taken by the Macri administration in respect of the Argentine economy could lead to volatility in the market prices of securities of Argentine companies, such as ours. We cannot assure you the impact that these measures or any future measures taken by the Macri administration will have on the Argentine economy, 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.

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

Inflation has, in the past, materially undermined the Argentine economy and the Argentine Government’s ability to create conditions that permit growth. In recent years, Argentina has confronted inflationary pressures, evidenced by significantly higher fuel, energy and food prices, among other factors. According to data published by the *Instituto Nacional de Estadística y Censos* (National Statistics and Census Institute or “INDEC”), the rate of inflation reached 10.6% in 2013, 21.4% in 2014 and 11.9% in the ten-month period ended October 31, 2015. The wholesale price index (“WPI”) increased 12.7%, 13.1%, 14.8% and 28.3% in each of those years, respectively, and 10.6% in the ten-month period ended October 31, 2015. In November 2015, the INDEC suspended the publication of the consumer price index (the “CPI”) and the WPI. See “–The credibility of several Argentine economic indices has been called into question, which may lead to a lack of confidence in the Argentine economy and, in turn, limit our ability to access credit and the capital markets” below. The previous administration has in the past implemented programs to control inflation and monitor prices for essential goods and services, including freezing the prices of supermarket products, and price support arrangements agreed between the Argentine Government and private sector companies in several industries and markets.

A high inflation rate affects Argentina’s foreign competitiveness by diluting the effects of the Argentine Peso devaluation, negatively impacting employment and the level of economic activity and employment 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 is adjusted by the *Coefficiente de Estabilización de Referencia* (Stabilization Coefficient, or “CER”), a currency index, that is strongly related to inflation. Therefore, any significant increase in inflation would cause an increase in the Argentine external debt and consequently in Argentina’s financial obligations, which could exacerbate the stress on the Argentine economy. A continuing 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 to decline.

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

In January 2007, INDEC modified its methodology used to calculate the CPI, which is calculated as the monthly average of a weighted basket of consumer goods and services that reflects the pattern of consumption of Argentine households. Since then, through 2015, the credibility of the CPI, as well as other indexes published by the INDEC have been called into question.

On November 23, 2010, the Fernández de Kirchner administration began consulting with the IMF for technical assistance in order to prepare a new national consumer price index with the aim of modernizing the current statistical system. However, Argentina was subsequently censured by the IMF in 2014 for failing to make sufficient progress in adopting remedial measures to address the quality of official data, including inflation and GDP.

In order to address the quality of official data, a new price index was put in place on February 13, 2014. The new price index 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 is calculated by measuring prices of goods across the entire urban population of the 24 provinces of Argentina. Using this new methodology, the consumer price index rose to 11.9% in the ten-month period ended October 31, 2015. Although this new 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, Decree No. 55/2016 was issued by the Argentine government declaring a state of administrative emergency on the national statistical system and on the official agency in charge of the system, the INDEC, until December 31, 2016. Following the declared emergency, the INDEC ceased publishing statistical data until a rearrangement of its technical and administrative structure is finalized. During the implementation of these reforms, however, INDEC will use official CPI figures and other statistics published by the Province of San Luis and the City of Buenos Aires. Despite these expected reforms, there is uncertainty as to whether official data will be sufficiently corrected and within what time period such data will be corrected, and what effect these reforms will have on the Argentine economy. The Macri administration has released an alternative CPI index based on data from the City of Buenos Aires and the Province of San Luis and is currently working on a new inflation index. According to the most recent publicly available information based on data from the Province of San Luis, the CPI grew by 31.6% in 2015 and the inflation rate was 6.5%, 4.2% and 2.7%, in December 2015, January 2016 and February 2016, respectively. According to the most recent publicly available information based on data from the City of Buenos Aires, the CPI grew by 26.9% in 2015 and the inflation rate was 3.9%, 4.1% and 4.0%, in December 2015, January 2016 and February 2016, respectively.

No official inflation data has been released since the new INDEC authorities have taken charge, and there is uncertainty regarding current rates of inflation.

The discontinuation of the publication of indices by the INDEC has generated uncertainty in Argentina's economy, and any future required correction or restatement of the INDEC indices could result in a decrease in 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 to decline.

Argentina's ability to obtain financing from international markets is limited, in part due to the unresolved litigation with holdout bondholders, which may impair its ability to foster economic growth and, consequently, affect our business, results of operations and prospects for growth

The prospects for Argentine companies of accessing financial markets might be limited in terms of the amount of financing available, and the conditions and cost of such financing.

Economic policy measures adopted by the Argentine Government, may continue to prevent Argentine companies such as us from accessing the international capital markets or make the terms of any such transactions less favorable than those provided to companies in other countries in the region, and may therefore negatively impact our financial condition or cash flows.

In 2005 and 2010, Argentina conducted exchange offers to restructure part of its sovereign debt that had been in default since the end of 2001. As a result of these exchange offers, Argentina restructured over 92% of its eligible defaulted debt.

Commencing in 2002, holdout creditors filed numerous lawsuits against Argentina in several jurisdictions, including the United States, Italy, Germany, and Japan. These lawsuits generally assert that Argentina failed to make timely payments of interest or principal on their bonds, and seek judgments for the face value of or accrued interest on those bonds. Judgments have been issued in numerous proceedings in the United States and Germany, but to date creditors have not succeeded, with a few minor exceptions, in executing on those judgments.

In February 2012, plaintiffs in 13 actions in New York, involving claims for U.S.\$ 428 million in principal, plus interest, obtained a U.S. district court order enjoining Argentina from making interest payments in full on the bonds issued pursuant to the 2005 and 2010 exchange offers ("Exchange Bonds") unless Argentina paid the plaintiffs in full, under the theory that the former payments violated the pari passu clause in the 1994 Fiscal Agency Agreement (the "FAA") governing those non-performing bonds. The U.S. district court order was stayed pending appeals. The Second Circuit Court of Appeals confirmed the so-called pari passu injunctions, and on June 16, 2014 the U.S. Supreme Court denied Argentina's petition for a writ of certiorari and the stay of the pari passu injunctions was vacated on June 18, 2014. Additionally, in 2015, plaintiffs that had obtained pari passu injunctions amended their complaints to include claims that Argentina's servicing of more recently issued BONAR 2024 bonds, as well as all external indebtedness in general, would violate the pari passu clause. The U.S. district court has not ruled on these new claims and discovery among the parties remains ongoing. On October 30, 2015, the U.S. district court issued new pari passu injunctions, substantially identical to the ones already in effect, in 49 additional proceedings, involving claims for over U.S.\$ 2.1 billion under the 1994 FAA, plus billions more in pre- and post-judgment interest. On November 10, 2015, Argentina appealed the decision.

In 2014, the Argentine Government took a number of steps intended to continue servicing the bonds issued in the 2005 and 2010 exchange offers, which had limited success. Holdout creditors continued to litigate expanding the scope of issues to include payment by the Argentine government on debt other than the Exchange Bonds and the independence of the Central Bank.

The Macri administration engaged in negotiations with holders of defaulted bonds in December 2015 with a view to bringing closure to fifteen years of litigation. In February 2016, the Argentine government entered into an agreement in principle to settle with certain holders of defaulted debt and put forward a proposal to other holders of defaulted debt, including those with pending claims in U.S. courts, subject to two conditions: obtaining approval by the Argentine Congress and the lifting of the pari passu injunctions. On March 2, 2016, the U.S. district court agreed to vacate the pari passu injunctions, subject to two conditions: first, the repealing of all legislative obstacles to settlement with holders of defaulted debt securities issued under the FAA, and second, the full payment to holders of pari passu injunctions with whom the Argentine government had entered into an agreement in principle on or before February 29, 2016, in accordance with the specific terms of such agreements. The U.S. district court's order has been appealed and on April 13, 2016 was affirmed by the Second Circuit Court of Appeals. On March 31, 2016, the Argentine Congress repealed the legislative obstacles to the settlement and approved the settlement proposal. As of the date of this annual report, the Argentine government has reached settlement agreements with holders of a significant portion of the defaulted bonds.

As of the date of this annual report, litigation initiated by bondholders that have not accepted Argentina's settlement offer continues in several jurisdictions, although the size of the claims involved has decreased significantly. The lifting of the injunctions issued by the United States courts preventing bondholders from receiving their interest payments on the bonds issued pursuant to the 2005 and 2010 exchange offers and the related subsequent events paved the way for the Argentine Government to regain access to the international capital markets, with an issue of U.S.\$16.5 billion aggregate principal amount of 3-year, 5-year, 10-year and 30-year bonds on April 22, 2016 and the pari passu injunctions were vacated.

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

Fluctuations in the value of the Peso may also adversely affect the Argentine economy, our financial condition and results of operations. The devaluation of the Argentine Peso could have a negative impact on the ability of certain Argentine businesses to service their foreign currency-denominated debt, lead to very high inflation, significantly reduce real wages, jeopardize the stability of businesses whose success depends on domestic market demand, including public utilities and the financial industry, and adversely affect the Argentine Government's ability to honor its foreign debt obligations. After several years of moderate variations in the nominal exchange rate, the peso lost more than 30% of its value with respect to the US Dollar in each of 2013 and 2014, and in 2015, the Peso lost approximately 52% of its value with respect to the U.S. Dollar including a depreciation of approximately 34% mainly experienced after December 17, 2015 following the announcement of the lifting of a significant portion of foreign exchange restrictions. Since the devaluation in December 2015, the Central Bank has allowed the Peso to float and limited interventions to those needed to ensure the orderly functioning of the foreign exchange market. As of April 19, 2016, the exchange rate was Ps 14.19 to U.S.\$1.00. We are unable to predict the future value of the Peso against the U.S. Dollar. If the Argentine Peso devalues further, the negative effects on the Argentine economy could have adverse consequences to our businesses, our results of operations and the market value of our ADSs, including as measured in U.S. Dollars.

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

Government intervention 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.

In response to the global economic crisis, in December 2008, Law No. 26,425 was passed, the Argentine Congress unifying the Argentine pension and retirement system into a system publicly administered by the *Administración Nacional de la Seguridad Social* (the National Social Security Agency, or the "ANSES"), and eliminating the pension and retirement system previously administered by private managers. In accordance with the new law, private pension managers transferred all of the assets administered by them under the pension and retirement system to the ANSES. Prior to 2009, a significant portion of the local demand for securities of Argentine companies came from Argentine private pension funds. With the nationalization of Argentina's private pension funds, the Argentine Government, through the ANSES, became a significant shareholder in many of the country's public companies. In April 2011, the Argentine Government lifted certain restrictions pursuant to which ANSES had been prevented from exercising more than 5% of its voting rights in any stock exchange listed company (regardless of the equity interest held by ANSES in such companies). ANSES has since exercised its voting rights in excess of such 5% limit in order to appoint directors in different stock exchange listed companies. ANSES's interests may differ from, or conflict with, those of the other investors in such companies. In addition, in September 2015, Law No. 27,181 was enacted, which prohibits the sale of shares in Argentine public companies held by the Argentine Government or any other action that limits, alters or modifies the use, ownership or nature of such shares, without the prior authorization of Congress. Additionally, Law No. 27,181 created the National Government Equity Holdings Agency (*Agencia Nacional de Participaciones Estatales en Empresas*), a decentralized agency operating under the scope of the Argentine Executive Branch, which is in charge of implementing any policies and actions related to the exercise by the Argentine Government of any rights arising out of the shares it holds. As of the date of this annual report, ANSES owns shares representing 18% of our capital stock, and also owns shares of capital stock of Edenor, CTG and Transener.

Beginning in April 2012, the Fernández de Kirchner administration provided for the nationalization of YPF and imposed major changes to the legal framework in which oil companies operate, principally through the enactment of Law No. 26,741 and Decree No. 1,277/2012. In February 2014, the Fernández de Kirchner administration and Repsol announced that they had reached agreement on the terms of the compensation payable to Repsol for the expropriation of the YPF shares. Such compensation amounted to U.S.\$5.0 billion, payable by delivery of Argentine sovereign bonds with various maturities. Additionally, on December 19, 2012, the Fernández de Kirchner administration issued Decree No. 2,552/2012, pursuant to which it ordered the expropriation of the *Predio Rural de Palermo*. However, on January 4, 2013, the Federal Civil and Commercial Chamber granted an injunction that has temporarily blocked the enforcement of Decree No. 2,552/2012. Although the decision was appealed by the Argentine government, the Supreme Court of Justice rejected such appeal and confirmed the Federal Civil and Commercial Chamber's injunction subject to a decision on the merits.

Notwithstanding the measures recently adopted by the Macri administration, we cannot assure you that these or other 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 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

During 2001 and the first half of 2002, Argentina experienced a mass withdrawal of deposits from the financial system as a result of a lack of confidence in the Argentine Government's ability to repay its debt and sustain the parity between the Peso and the U.S. Dollar. This caused a liquidity crisis in the Argentine financial system, which led the Argentine Government to impose exchange controls and transfer restrictions, substantially limiting the ability of companies to retain foreign currency or make payments abroad. After 2002, these restrictions, including those requiring the Central Bank's prior authorization for the transfer of funds abroad to pay principal and interest on debt obligations, were substantially eased through 2007. In addition to the foreign exchange restrictions applicable to outflows, in June 2005 the Argentine Government adopted various rules and regulations that established new restrictive controls on capital inflows into Argentina, including a requirement that, for certain funds remitted into Argentina, an amount equal to 30% of the funds must be deposited into an account with a local financial institution as a U.S. Dollar deposit for a one-year period without any accrual of interest, benefit or other use as collateral for any transaction.

Through a combination of foreign exchange and tax regulations from 2011 until President Macri assumed office in 2015, the Fernández de Kirchner administration significantly curtailed access to the foreign exchange market by individuals and private-sector entities. In addition, during the last few years under the Fernández de Kirchner administration, the Central Bank exercised a *de facto* prior approval power for certain foreign exchange transactions otherwise authorized to be carried out under applicable regulations, such as dividend payments or repayment of principal of inter-company loans as well as the import of goods, by means of regulating the amount of foreign currency available to financial institutions to conduct such transactions. The number of exchange controls introduced in the past and in particular after 2011, during the Fernández de Kirchner administration, gave rise to an unofficial U.S. Dollar trading market. The Peso/U.S. Dollar exchange rate in such market substantially differed from the official Peso/U.S. Dollar exchange rate. See "Item 3-Key Information-Exchange Rates" and "Item 10-Exchange Controls."

Additionally, the level of international reserves deposited with the Central Bank significantly decreased from US\$47.4 billion as of November 1, 2011 to US\$25.6 billion as of December 31, 2015, resulting in a reduced capacity of the Argentine government to intervene in the foreign exchange market and to provide access to such markets to private sector entities like us. The Macri administration recently announced a program intended to increase the level of international reserves deposited with the Central Bank through the execution of certain agreements with several foreign entities. As a result of the measures taken under such program, the international reserves increased to US\$30.0 billion as of January 30, 2016.

Notwithstanding the measures recently adopted by the Macri administration, in the future the Argentine Government could impose exchange controls, transfer restrictions or restrictions on the movement of capital or take other measures in response to capital flight or a significant depreciation of the Peso, which could limit our ability to access the international capital markets and impair our ability to make interest, principal or dividend payments abroad. Such measures could lead to renewed political and social tensions and undermine the Argentine Government's public finances, which could adversely affect Argentina's economy and prospects for economic growth and, consequently, adversely affect our business and results of operations and cause the market value of our ADSs 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 could be adversely affected by economic developments in other markets and by more general "contagion" effects

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

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

The actions taken by the Fernández de Kirchner administration to reduce imports may adversely affect our ability to access capital goods that are necessary for our operations

In 2012, the Argentine Government adopted an import procedure pursuant to which local authorities must pre-approve any import of products and services to Argentina as a precondition to allowing importers access to the foreign exchange market for the payment of such imported products and services. In 2012, the European Union, the United States of America and Japan filed claims with the World Trade Organization ("WTO") against certain import-related requirements maintained by Argentina. Recently, the WTO found that those measures are not consistent with Argentina's obligations under the WTO and requested removal. On December 22, 2015, through Resolution No. 3,823, AFIP removed the import authorization system in place since 2012 denominated Affidavit Advance Import ("DAI") and replaced it with the new Comprehensive Import Monitoring System ("SIMI"). Among other changes, local authorities must now reply to any request for approval within a ten-day period from the date in which the request is filed.

We cannot assure that the Argentine Government will not modify current export tax rates and import regulations. We cannot predict the impact that any changes may have on our results of operations and financial condition.

Application of certain laws and regulations is uncertain and could adversely affect our results of operations and financial condition.

Law No. 26,854, which regulates injunctions in cases in which the Argentine Government is a party or has intervened, was promulgated on April 30, 2013 as part of a judicial reform bill approved by the Argentine Congress. Among the principal changes implemented pursuant to the judicial reform bill is a time limitation on injunctions imposed in proceedings brought against the Argentine government and the creation of three new chambers of Casación, each of which must hear an appeal before the matter is considered by the Supreme Court of Justice of Argentina. In addition, Law No. 26,855, which became effective on May 27, 2013, modified the structure and functions of the Argentine Consejo de la Magistratura (judicial council), which 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 government actions. Said law governs the responsibility of the Argentine Government regarding the damages that its activity or inactivity may cause to individuals’ properties or rights. Such law 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.

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. Such initiative 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 judicial and fiscal persons. The reforms and creation of the Observer of Prices of Goods and Services could adversely affect our operations. An initiative to regulate questions of consumer rights was also approved, creating the *Conciliación Previa en las Relaciones de Consumo* (Prior Conciliatory Procedures For Consumer Relations, or the “COPREC”), where users and consumers may present claims free of charge and have them resolved within 30 days.

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 the country in case of a shortage of supply.

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. The consequences of the reform and its subsequent judicial application cannot be predicted.

The long-term impact of recently adopted legislation on Argentina’s legal system and future administrative or judicial proceedings, including potential future claims by us against the Argentine Government, cannot be predicted.

Risks Relating to the Argentine Electricity and Oil and Gas Sectors

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

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

On December 17, 2015, the Argentine Government issued Decree No. 134/15 declaring the emergency of the National Electricity Sector until December 31, 2017, and instructing the Ministry of Energy and Mining ("ME&M") to adopt any measure the ME&M deems necessary regarding the generation, transmission and distribution segments, to adjust the quality, and guarantee the provision of, electricity.

On January 25, 2016, the ME&M issued Resolution No. 6/2016, approving the seasonal WEM prices for each category of users for the period from February 2016 through April 2016. Such resolution readjusted the seasonal prices set forth in the regulatory framework. Energy prices in the spot market had been set by CAMMESA which determined the price charged by generators for energy sold in the spot market of the wholesale electricity market on an hourly basis. The WEM prices resulted in the elimination of certain energy subsidies and a substantial increase in electricity rates for individuals. Resolution No. 6/2016 introduced different prices depending on customers' categories.

The ME&M, issued Resolution No. 7/2016 pursuant to which it instructed the ENRE to, among others, (i) adjust the value-added for the distribution (the "VAD") using the transitional tariff regime included in the agreement that Edenor entered into with the Argentine Government in February 2006 relating to the adjustment and renegotiation of the terms of the concession (the "Adjustment Agreement"), (ii) implement a social tariff regime and a reduction of such WEM prices for certain consumers, and (iii) effect a revision of the Integral Tariff Revision (*Revisión Tarifaria Integral* or "RTI") that has to be implemented before December 31, 2016. Also the Resolution No. 7/2016 derogated the PUREE and the Secretariat of Energy's ("SE") Resolution No. 32/2015.

As of the date of this annual report, the Argentine Government maintains the remuneration scheme implemented for the generation segment in 2013. The last changes were implemented by the Secretariat of Energy through its Resolution No. 22/2016, dated March 31, 2016, as described in "Item 4.—The Argentine Electricity Sector—SE Resolution No. 95/2013, as amended—New price scheme and other modifications to the WEM").

We cannot assure you that these or other measures that may be adopted by the Argentine Government will not have a material adverse effect on our business and results of operations or on the market value of our shares and ADSs or that the measures adopted by the Argentine Government through the ME&M under the emergency declared by Decree No. 134/15, or other similar regulation that may be adopted in the future, may further increase our regulatory obligations, including increased taxes, unfavorable alterations to our tariff structures and other regulatory obligations, compliance with which would increase our costs and have a direct negative impact on our results of operations and cause the market value of our ADSs to decline.

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

Distribution and transmission tariffs include a regulated margin that is intended to cover the costs of distribution or transmission, as applicable, and provide an adequate return. Generators, which mostly depend on the sales made to the spot market (the market set by supply and demand of energy available for immediate delivery), used to have stable prices and were able to reinvest their profits to become more efficient and achieve better margins. Under Law No. 23,928 and Decree No. 529/91 (together, the "Convertibility Law"), which established a fixed exchange rate of one Peso per U.S. Dollar, distribution and transmission tariffs and electricity spot prices were calculated in U.S. Dollars and distribution and transmission margins were adjusted periodically to reflect variations in U.S. inflation indexes. In January 2002, pursuant to the Public Emergency Law, which authorized the Argentine Government to renegotiate its public utility contracts, provisions requiring price adjustments based on foreign inflation indexes and all other indexation mechanisms in public utility services agreements between the Argentine Government or any provincial government and the providers of those services (including us) were revoked, and the tariffs for the provision of such services were frozen and converted from their original U.S. Dollar values to Argentine 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 revenues in real terms and an increase of costs in real terms, which could no longer be recovered through margin adjustments or market price-setting mechanisms. This situation, in turn, led many public utility companies to suspend payments on their financial debt (which continued to be denominated in U.S. Dollars despite the pesification of revenues), effectively preventing these companies from obtaining further financing in the domestic or international credit markets and making additional investments. Although the Argentine Government has granted temporary and partial relief to certain companies in the electricity sector, we cannot assure you that these measures will be sufficient to address the structural problems created for our company by the economic crisis and in its aftermath or that similar measures extending the relief granted will be enacted in the future.

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

During the 2001 and 2002 economic crisis, electricity demand in Argentina decreased due to the decline in the overall level of economic activity and the deterioration in the ability of many consumers to pay their electricity bills. In the years following the 2001 and 2002 economic crisis, electricity demand experienced significant growth (an increase of 8.9% from 2012 to 2015). This increase in electricity demand since 2003 reflects the relative low cost, in real terms, of electricity to consumers due to the freezing of margins, subsidies in the energy purchase price and the elimination of the inflation adjustment provisions in distribution concessions coupled with the devaluation of the Peso, the inflation and the pesification of the tariffs. The executive branch of the Argentine Government granted temporary increases in transmission and distribution margins, and transmission and distribution companies are currently negotiating further increases and adjustments to their tariff schemes with the Argentine Government. Although the increases in electricity transmission and distribution margins, which increased the cost of electricity to residential customers, have not had a significant negative effect on demand, we cannot make any assurances that these increases or any future increases in the relative cost of electricity will not have a material adverse effect on electricity demand or a decline in collections from customers. Further, in November 2011, the Argentine Government announced a cut in subsidies (which has not impacted our value-added for distribution, or "VAD") for electricity granted to certain customers that are presumed to be in a position to afford the cost without such subsidies. Such cut in subsidies affected only a small portion of our customers (namely, certain industries, such as oil and gas and certain distribution areas with high purchasing power). In January 2016, the ENRE, approved a new tariff scheme for Edenor and Empresa Distribuidora Sur S.A. ("Edesur") which included the WEM prices approved by MEM Resolution No. 7/2016 and an increase in the VAD. In this respect, we cannot assure you that these measures or any future measures (including new increases on tariffs for residential users) will not lead electricity companies, like us, to record lower revenues and results of operations than currently anticipated, which may, in turn, have a material adverse effect on the market value of our ADSs.

If the demand for energy is increased suddenly, current levels of power generation and the difficulty in increasing the capacity of transmission and distribution companies in a short or medium term, could adversely affect the Company, which in turn could result in customer complaints and substantial fines imposed on such companies

In recent years, the increase in electricity demand was greater than the structural increase in electricity generation, transmission and distribution capacities, which led, sometimes, to power shortages and disruptions. While current demand for electricity has decreased because of, among other things, a lower level of activity linked to the global economic crisis, a sustained increase in electricity demand could generate future shortages.

Additionally, according to Argentine law, distribution companies are responsible before their customers for any interruption in the supply of electricity. Consequently, customer can make their claims to the distribution companies. Also, distribution companies can suffer fines and penalties for interruptions caused by power outages, unless the respective Argentine authorities determine that power outages are caused by force majeure events. As of the date of this annual report, Argentine authorities have not ruled on the conditions under which outages may constitute a case of force majeure. In the past, however, Argentine authorities have adopted a restrictive view of the concept of force majeure and have acknowledged its existence in limited circumstances, such as internal defects in the customer's location or extraordinary weather events (such as severe storms, tornadoes or floods). We cannot assure that we will not experience a lack in the supply of energy that could adversely affect our business, financial condition and results of operations and cause the market value of our ADSs and shares to decline.

Oil and gas companies have recently been affected by certain measures taken by the Argentine Government and may be further affected by additional changes in their regulatory framework

Since December 2011, the Argentine Government has adopted a number of measures concerning repatriation of funds obtained as a result of exports of oil and gas and charges applicable to the production of liquid gas which have affected the business of oil and gas producers and manufacturers (see "Certain measures that may be taken by the Argentine Government may adversely affect the Argentine economy and, as a result, our business and results of operations"). More recently, beginning in April 2012, the Argentine Government provided for the nationalization of YPF and imposed major changes to the system under which oil companies operate, principally through the enactment of Law No. 26,741, Decree No. 1277/2012 and Law No. 27,007. Further changes in such regulations may increase the adverse effect of such measures on the business, revenues and operations of companies operating in the oil and gas sector, including companies in which we hold, or may hold in the future, equity interests, and may lead in turn to a material adverse effect on the market value of our ADSs.

Argentine oil and gas production concessions and exploration permits are subject to certain conditions and may not be renewed or could be revoked

Law No. 17,319 the "Hydrocarbons Law" (as amended by Law No. 27,007) provides for oil and gas concessions to remain in effect for 25, 30 or 35 years, depending on the concession, as from the date of their award, and further provides for the concession term to be extended for periods of 10 additional years, subject to terms and conditions approved by the grantor at the time of the extension. The authority to extend the terms of current and new permits, concessions and contracts has been vested with the government of the province in which the relevant area is located (and the Argentine Government in respect of offshore areas beyond 12 nautical miles). In order to be eligible for the extension, any concessionaire and permit holder must have complied with its obligations under the Hydrocarbons Law and the terms of the particular concession or permit, including evidence of payment of taxes and royalties, the supply of the necessary technology, equipment and labor force and compliance with various environmental, investment and development obligations. Under the Hydrocarbons Law, non-compliance with these obligations and standards may also result in the imposition of fines and in the case of material breaches, following the expiration of applicable cure periods, the revocation of the concession or permit.

The Argentine Government and a number of provincial governments revoked certain of YPF's (prior to its nationalization) and Petrobras Argentina S.A.'s ("Petrobras") concessions in 2012. Petrolera Pampa has formed partnerships in projects with proved gas reserves to be developed by major oil and gas companies, such as Ysur Energia Argentina S.R.L. ("Ysur") (formerly Apache Energia Argentina S.R.L. or "Apache"), Petrobras and YPF and is currently negotiating agreements that involve potential oil and gas production with Petrolera Pampa as operator. See "Item 4.—Our Business—Oil and Gas—Petrolera Pampa—Petrolera Pampa's Projects". The termination or revocation of, or failure to obtain the extension of, a concession or permit under these projects could have a material adverse effect on Petrolera Pampa's business and results of operations.

In April 2012, the Argentine Congress passed Law No. 26,741, expropriating 51% of the shares of YPF owned by the Spanish energy company, Repsol YPF. Under the terms of the law, out of the 51% of total shares to be expropriated, 51% of such shares will be held by the Argentine Government and the remaining 49% will be held by oil-producing Argentine Provinces. Also, the law states that hydrocarbon activities (including, exploitation, industrialization, transportation and commercialization) in the territory of Argentina qualify as a "national public interest". The law, entitled "Hydrocarbon Sovereignty of Argentina", provides that the primary objective is to achieve Argentina's self-sufficiency in oil and gas supply. We cannot assure you that these or other measures that may be adopted by the Argentine Government will not have a material adverse effect on the Argentine economy and, as a consequence, adversely affect our financial condition, our results of operations and the market value of our shares and ADSs.

Oil and gas reserves in Argentina are likely to decline

Many oil and gas fields in Argentina are mature and without significant investment into development and exploration activities, reserves are likely to be depleted. Such investments do not, however, guarantee the success of oil and gas activities. Access to crude oil and natural gas reserves is essential to an oil and gas company's sustained production and generation of income. Given our strategy of investing almost exclusively in areas with proved oil and gas reserves, a decline in proved oil and gas reserves in Argentina could have an adverse effect on our business and results of operations.

Risks Relating to our Company

We operate a material portion of our business pursuant to public concessions granted by the Argentine Government, the revocation or termination of which would have a material adverse effect on our business

We conduct a significant part of our businesses pursuant to public concessions granted by the Argentine Government. These concessions contain several requirements regarding the operation of those businesses and compliance with laws and regulations. Compliance with our obligations under our concessions is typically secured by a pledge of our shares in the concessionaires in favor of the Argentine Government. Accordingly, upon the occurrence of specified events of default under these concessions, the Argentine Government would be entitled to foreclose on its pledge of the concessionaire and sell our shares in that concessionaire 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 concessions also generally provide for termination in the case of insolvency or bankruptcy of the concessionaire. If any of our concessions are terminated or if the Argentine Government forecloses its pledge over the shares we own in any of our concessionaire companies, such companies could not 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 shares and ADSs could decline.

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

The majority of the employees in the electricity sector are affiliated with labor unions. As of December 31, 2015, approximately 81.0% of our employees were union members. Although our relations with unions are currently stable, we cannot assure you that our operating subsidiaries will not experience work disruptions or stoppages in the future, which could have a material adverse effect on our business and revenues. In addition, our collective bargaining agreements generally expire after a one-year term. We have completed salary negotiations for 2014. We cannot assure you that we will be able to negotiate new collective bargaining agreements on the same terms as those currently in effect, or that we will not be subject to strikes or work stoppages before or during the negotiation process. If we are unable to negotiate salary agreements or if we are subject to strikes or work stoppages, our results of operations, financial condition and the market value of our ADSs could be materially adversely affected.

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

We carry insurance policies that are consistent with industry standards in each of our different business segments. See “Item 4. –Our Business–Insurance.” Although we believe our insurance coverage is commensurate with standards for the international electricity generation, transmission and distribution industry, no assurance can be given of the existence or sufficiency of risk coverage for any particular risk or loss. For example, two of the towers used by Transener’s transmission lines located in the Province of Buenos Aires, were damaged in 2008 due to unknown causes, despite us having carried all related actions which were legally required. These damages resulted in the interruption of electricity transmission service to customers in the greater Buenos Aires region and certain areas in other provinces for several hours, which could have caused losses that may not be covered by our insurance policies. We cannot make any assurances that this kind of damage will not occur again in the future, which could eventually result in further losses or the imposition of sanctions on Transener by the regulatory authorities. If an accident or other event occurs that is not covered by our current insurance policies in any of our business segments, we may experience material losses or have to disburse significant amounts from our own funds, which may have a material adverse effect on our net profits and our overall financial condition and on the market value of our shares and ADSs.

We conduct a portion of our operations through joint ventures, and our failure to continue such joint ventures or resolve any material disagreements with our partners could have a material adverse effect on the success of these operations

We conduct a portion of our operations through joint ventures and as a result, the continuation of such joint ventures is vital to our continued success. In the event that any of our partners were to decide to terminate its relationship with us in any of such joint ventures or sell its interest in such joint ventures, we may not be able to replace our partner or obtain the necessary financing to purchase our partner's interest. For example, we own a joint controlling interest in Citelec, the holding company of Transener, our transmission company, where we were previously a party to significant agreements with our former partner, Petrobras Energía S.A. ("Petrobras Energía"), with respect to the management of Transener. Electroingeniería S.A. ("Electroingeniería"), now Grupo Eling S.A. and Energía Argentina S.A. ("Enarsa") subsequently acquired Petrobras Energía's interest in Citelec's capital stock. While we were able to enter into similar agreements that we enjoyed with Petrobras Energía, any significant disagreement with our new partners could have a material adverse effect on the success of such joint venture, and thereby our business and results of operations. In this particular case of Transener, we are not able to acquire our partners' interests under applicable Argentine regulations. See "Item 4. -The Argentine Electricity Sector." As a result, the failure to continue some of our joint ventures or to resolve disagreements with our partners could adversely affect our ability to transact the business that is the subject of such joint venture, which would in turn negatively affect our financial condition and results of operations and the market value of our 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.

If we are not able to effectively hedge our currency risk in full and, as a result, a devaluation of the Peso occurs, there may be a material adverse effect on our results of operations and financial condition

Our revenues are collected primarily in Pesos pursuant to tariffs that are not indexed to the U.S. Dollar, while a significant portion of our existing financial indebtedness is denominated in U.S. Dollars, which exposes us to the risk of loss from devaluation of the Peso. If we are not able to effectively hedge all or a significant portion of our currency risk exposure, a devaluation of the Peso (as happened in January 2014, see "Fluctuations in the value of the Argentine Peso could adversely affect the Argentine economy, which could, in turn adversely affect our results of operations") may significantly increase our debt service burden, which, in turn, may have a material adverse effect on our financial condition and results of operations.

The Argentine Antitrust Commission could decide not to approve the implementation of the Restructuring Agreement

On July13, 2012, the parties to the Restructuring Agreement, including the Company, entered into a Fifth Amendment to the Restructuring Agreement pursuant to which they agreed on the terms and conditions upon which the restructuring will be consummated. If the restructuring is achieved through the Restructuring Agreement's implementation, the Company and/or its subsidiaries (as financial creditor of Compañía de Inversiones de Energía S.A. or "CIESA") would obtain, direct and indirect ownership over 50% of CIESA's equity, which in turn would control 51% of TGS. The implementation of the restructuring has already been approved by the *Ente Nacional Regulador del Gas* (the National Gas Regulating Agency, or the "ENARGAS"), and has not expressly been approved by the Argentine Antitrust Commission (see "Item 4. Our Business - Other Projects - TGS - CIESA Transaction"). We cannot assure that the Argentine Antitrust Commission will expressly approve the Restructuring Agreement, and although the Company believes that from a legal stand point the Restructuring Agreement has been tacitly approved by the Argentine Antitrust Commission, the board of directors of the Company is evaluating the legal and factual implications and other courses of action without having made a decision as of the date of this annual report. The outcome of this matter may adversely affect the financial position and results of operations of the Company. If the potential sale of our indirect stake in TGS occurs we cannot assure that the Argentine Antitrust Commission will expressly approve such sale.

We are involved in various legal proceedings which could result in unfavorable decisions and financial penalties for us

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 management’s time and attention and our financial resources. See “Item 8–Legal Proceedings.”

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

Credit ratings are assigned to the Company and its subsidiaries. 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 other things, 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.

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

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

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

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

Risks Relating to our Generation Business

There are electricity transmission constraints in Argentina that may prevent us from recovering the full marginal cost of our electricity, which could materially adversely affect the financial results of our generation business

During certain times of the year, more electricity can be generated than can be transmitted. While under the new remuneration scheme established by SE Resolution No. 95/2013, as amended, such constraints should not affect the price that is paid to the generator, our dispatch may nonetheless be affected by such transmissions constraints. We cannot make any assurance that required investments will be made to increase the capacity of the system. As a result of lower dispatch, our generation business may record lower operating profits than we anticipate, which could adversely affect our consolidated results of operations and financial condition and cause the market value of our ADSs to decline.

Changes in regulations governing the dispatch of generators may affect our generators

Pursuant to Note No. 5129/13, the Secretariat of Energy instructed CAMMESA to optimize the dispatch of WEM's generators according to the available fuels and their actual costs. Such modifications or any other modifications under the emergency established by Decree No. 134/15 or any other measures thereof, may result in a lower dispatch of our generators and, in turn, could adversely affect our results of operations and financial conditions.

We may be unable to collect amounts, or to collect them in a timely manner, from CAMMESA and other customers in the electricity sector, which could have a material adverse effect on our financial condition and results of operations

Electricity generators, including our subsidiaries, are paid by CAMMESA, which collects revenue from other wholesale electricity market agents. Since 2012, a significant number of wholesale electricity market agents –mostly distributors, including Edenor - defaulted in the payment of amounts they owed to the wholesale electricity market or failed to pay in a timely manner, which adversely affected the ability of CAMMESA to meet its own payment obligations to generators or to pay them in a timely manner. This situation led to the creation of the *Fondo Transitorio de Reconstrucción de Cobranzas*– SE Notes No. 7588/12, 8147/12 and 8476/12 (the “Transitory Recovery Fund”), by means of which the Secretariat of Energy instructed CAMMESA to collect the charges and interest accrued from distributors’ defaults and renegotiate the terms of the payment of the defaulted amounts.

Additionally, the stabilization fund created by the Secretariat of Energy to cover the difference between the spot price and the seasonal price of electricity recorded a permanent deficit. This difference is due to the intervention of the Argentine Government and the measures adopted pursuant to the Public Emergency Law.

Even though the ME&M No. 7/2016 approved new WEM seasonal prices and adopted several measures, as described in “Item 3. – Key Factors – Risk Factors – Risks Relating to our Generation Business”. The Argentine Government has intervened in the electricity sector in the past, and is likely to continue intervening, in order to reduce the distributor’s debt with CAMMESA, we cannot make any assurances that the difference between the spot price and the seasonal price will not increase in the future, that the Argentine Government will use funds from the National Treasury to meet the differences or that CAMMESA will be able to make payments to generators, both in respect of energy and capacity sold in the spot market.

Furthermore, as a consequence of the suspension of the incorporation or renewal of contracts in the term market (see “Item 4. The Argentine Electricity Sector - SE Resolution No. 95/2013, as amended – New price scheme and other modifications to the WEM”), the revenues of electricity generators will depend on the payments received from CAMMESA. Additionally, due to the scheme implemented by SE Resolution No. 95/2013, the margin collected from Large Users derived from contracts in WEM’s term market will be calculated based on the remuneration received from CAMMESA, which will impact the revenues of the generators.

The inability of generators, including certain of our subsidiaries, to collect their credits from CAMMESA or to collect them in a timely manner, may have a material adverse effect on the revenues of our generation subsidiaries and accordingly, on our results of operations and financial condition and the market value of our shares and ADSs.

New measures encouraging renewable energy generation projects may affect our generation assets sales

On October 15, 2015, Law No. 27.191 was enacted. Pursuant to such law, among other measures, is established that, by December 31, 2025, 20% of the total domestic energy demand must be provided through renewable energy sources. In order to meet such goal, the law obliges Wholesale Users and CAMMESA to cover their respective portion of domestic energy demand with sources of renewable energy by 8%, by December 31, 2017. The percentage to be covered with renewable energy increases every two year up to the abovementioned 20% on 2025. The law also includes tax and other benefits for new renewable energy projects.

Law No. 27,191 was partially regulated by Decree No. 531/2016, and further regulation is required for its implementation. However, we cannot make any assurances that the implementation of the law and its regulation will not affect our generators sales, particularly in our sales under the Energy Plus regime, which, in turn, could adversely affect our results of operations and financial conditions.

Our ability to generate electricity in our thermal generation plants depends on the availability of natural gas, and fluctuations in the supply or price of gas could materially adversely affect our results of operations

The supply or price of gas used in our generation businesses has been and may from time to time continue to be affected by, among other things, the availability of gas in Argentina, our ability to enter into contracts with local gas producers and gas transportation companies, the need to import a larger amount of gas at a higher price than the price applicable to domestic supply as a result of low domestic production, and gas redistribution mandated by the Secretariat of Energy, given the present shortage of supply and declining reserves. Since 2009, the Secretariat of Energy has applied a procedure - (see "Item 4. - The Argentine Electricity Sector - Procedure for the Dispatch of Natural Gas for Power Generation") - by means of which generators assign in favor of CAMMESA the natural gas acquired from the producers. CAMMESA may assign those volumes to other generation plants.

Several of our generation facilities are equipped to run solely on gas and, in the event that gas becomes unavailable, these facilities will not be able to switch to other types of fuel in order to continue generating electricity. If we are unable to purchase gas at prices that are favorable to us, if the supply of gas is reduced, if the procedure cited above is canceled or if CAMMESA does not provide gas to our facilities, our costs could increase or our ability to profitably operate our generation facilities could be impaired. Moreover, some of our generation units are included in the "Energia Plus" program under SE Resolution 1281/2006 and/or have executed WEM Supply Agreements under SE Resolution No. 220/2007, and both regulations require the generator to assure the committed capacity with its own fuels through the execution of firm natural gas and transport contracts. See "Item 4. The Argentine Electricity Sector - Electricity Prices - Energia Plus" and "WEM Supply Agreements under SE Resolution No. 220/2007".

Notwithstanding, as of the issuance of SE Resolution No. 95/2013, as amended, generators will depend on the fuels that CAMMESA supplies them for their operations, since through such resolution the Secretariat of Energy appointed CAMMESA as the sole supplier of fuels for the generation sector.

Such a disruption or an inability to acquire the necessary fuels for our generation business could, in turn, materially adversely affect our results of operations and financial condition and the market value of our ADSs.

Our ability to generate electricity using gas plus under the Gas Plus Program at Loma de la Lata depends on the recognition by CAMMESA of Gas Plus costs

Loma de la Lata has executed several natural gas provision agreements with producers whose production is included under the terms of the "Gas Plus" program (SE Resolution No. 24/2008). Under such program, the producers are able to sell their production at a price higher than the reference price (gas market value for generators). By virtue of the agreements executed with the Secretariat of Energy, and the mechanism established in Note No. 7585/10 of the Secretariat of Energy (see "Item 4. The Argentine Electricity Sector - Procedure for the Dispatch of Natural Gas for Power Generation"), CAMMESA recognizes such costs to Loma de la Lata. CAMMESA has to recognize the Gas Plus cost to Loma de la Lata in order for Loma de la Lata to be able to make the corresponding payments to their natural gas suppliers. If CAMMESA does not recognize the Gas Plus cost or if such recognition is delayed, the ability of Loma de la Lata to pay the natural gas suppliers may be affected. Consequently, in such a situation, Loma de la Lata would have to renegotiate the terms and conditions previously agreed with their natural gas suppliers and, in case an agreement is not reached, any of the parties may terminate the contracts under which they committed to supply natural gas. In this respect, during 2012, due to delay in collecting payments from CAMMESA, some renegotiation needed to be made with natural gas producers in order to fulfill Loma de la Lata's obligations and to keep the agreements in force. As a consequence of this situation, Loma de la Lata might need to search for alternative suppliers of natural gas, and if they are unsuccessful in reaching new agreements with natural gas suppliers, their ability to generate electricity using gas plus recognized under the Gas Plus Program could be affected.

Additionally by means of the Notes No. 3456/12 and 4377/12, the Secretariat of Energy introduced several modifications to the terms and conditions for the provision of natural gas recognized under the Gas Plus Program for energy generation. See “Item 4. - The Argentine Electricity Sector - Natural Gas Supply under the Gas Plus Program”.

However, as of the issuance of SE Resolution No. 95/2013, as amended, generators will depend on the fuels that CAMMESA supplies them for their operations, since through such resolution the Secretariat of Energy appointed CAMMESA as the sole supplier of fuels for the generation sector. Consequently, as of the termination of the current gas supply agreements, Loma de la Lata and EGSSA (now merged into CTG) will no longer need to have firm gas supply agreements with suppliers and request the recognition of costos thereunder to CAMMESA as it will depend on CAMMESA’s gas supply (See “Item 3.- Key Information – Risk Factors – Risk Relating to our Generation Business – Our ability to generate electricity in our thermal generation plants depends on the availability of natural gas, and fluctuations in the supply or price of gas could material adversely affect our results of operations”). In September 2015, CAMMESA informed Loma de la Lata that, in accordance with SE Resolution No. 529/14, that after the first automatic renewal of the term of the natural gas supply agreements, CAMMESA will no longer acknowledge (i) any further automatic renewals of such agreements, and (ii) the costs associated to such supply, including the additional 10% of such costs established in the “*Convenio Marco para el Cierre del Ciclo Combinado de Loma de la Lata*” Entered into among Loma de la Lata and the SE in December 2008. Loma de la Lata has taken the necessary measures to protect its interest. (Please see “Item 8 – Legal Proceedings Involving Loma de la Lata”).

We cannot assure you that the changes on the terms and conditions for the provision of natural gas under the Gas Plus Program and, particularly, the lack of recognition of costs associated with Loma de la Lata’s supply pursuant to SE Resolution No. 529/14 described above, would not have an adverse effect on the operation of our generation facilities and the revenues derived from such activity.

Penalties may be applied under Loma de la Lata’s and EGSSA’s WEM Supply Agreements under SE Resolution No. 220/2007, which may adversely affect the revenues derived from such contracts

A breach of the availability commitments set forth in Loma de la Lata’s and EGSSA’s (now merged into CTG) WEM Supply Agreements under SE Resolution No. 220/2007 (see “Item 4.- The Argentine Electricity Sector - WEM Supply Agreements under SE Resolution No. 220/2007”) allows CAMMESA to apply penalties to the generator that may adversely impact in the revenues derived by the generator from such agreements, which in turn may adversely affect the generator’s results.

A breach of the availability commitment set forth in Piedra Buena’s Loan Agreement with CAMMESA may adversely impact Piedra Buena’s results of operations

On April 8, 2014, Piedra Buena executed a loan agreement with CAMMESA for an amount equal to the peso-equivalent of U.S.\$ 82.6 million plus the associated taxes and nationalization costs. This loan is to be repaid in 48 equal installments. As long as Piedra Buena’s availability is higher than 80% (summer) or 83% (winter), Piedra Buena’s payment obligations shall be limited to the revenue established to cover extraordinary maintenance works (SE Resolution No. 529/2014, as amended) and 50% of the Debt Payment Cash Flow (as defined in such agreement) (See “Item 5 - Debt – Generation – Piedra Buena”). If Piedra Buena’s availability is below the abovementioned percentages, Piedra Buena shall pay the applicable installment. A breach of the availability commitments set forth in the loan agreement and the consequent acceleration of the loan may adversely impact in Piedra Buena’s results of operations.

Our ability to generate electricity at our hydroelectric generation plants may be negatively affected by poor hydrological conditions, which could, in turn affect our results of operations

Prevailing hydrological conditions could adversely affect the operations of our six hydroelectric generation plants owned by HINISA and HIDISA, in a number of ways, not all of which we can predict. For example, hydrological conditions that result in a low supply of electricity in Argentina could cause, among other things, the implementation of broad electricity conservation programs, including mandatory reductions in electricity generation or consumption. Hydrological conditions since 2006, the year in which our units recorded the greatest intake to date, have been poor. In particular, in 2014, the water intake at Los Nihuiles and Diamante available for electricity generation was 62% and 64% lower, respectively, as compared to 2006. A prolonged continuation of poor conditions could force the Argentine Government to focus its generation efforts on the use of other sources of electricity generation. In the event of electricity shortages, the Argentine Government could mandate the implementation of broad electricity conservation programs, including mandatory reductions in electricity generation or consumption; the government could also mandate increased production from thermal plants that use fossil fuels as their generation sources and preserve the available water resources for future electricity generation. Although such a shift in production could benefit our thermal generation plants, it would negatively affect our hydroelectric plants and any mandated reduction in electricity generation or consumption could reduce revenues in our generation business and lead to a decline in our consolidated results of operations, which may have a material adverse effect on our financial condition and the market value of our shares and ADSs.

Moreover, in a case where the water level of the dams of our hydroelectric facilities decreases to the minimums established in the applicable concessions contract, the local water authority (The Province of Mendoza Irrigation General Department) would gain the control of the amount of water that may be dispatched in order to assure the continuity of other water uses such as human consumption and irrigation.

Operational difficulties could limit our ability to generate electricity, which could adversely affect our results of operations

We may experience operational difficulties that could require us to temporarily suspend operations or otherwise affect our ability to generate electricity and, as a result, adversely impact our operating results. These difficulties may affect our generation equipment, electromechanical components or, in general, any of our assets required for the supply of electricity. We cannot make any assurances that events of such nature will not occur in the future. While we maintain comprehensive insurance for each of our facilities, we cannot make any assurances that the amounts for which we are insured or the amounts that we may receive under such insurance policies would cover all of our losses. If operational difficulties impede our generation of electricity, the disruption may lead to reduced revenues from our generation segment, which would have an adverse effect on our consolidated results of operations and may negatively affect the market value of our shares or ADSs. Please see "Item 4.- Our Business - Piedra Buena - Operations".

We may no longer own a controlling interest in HINISA, one of our principal generation assets, if the Province of Mendoza sells its participation in HINISA

Our subsidiary, Nihuiles, currently owns a 52.04% controlling stake in HINISA, a hydroelectric generation company in the Province of Mendoza, Argentina, and the Province of Mendoza, through EMESA, currently owns 47.96% of the capital stock of HINISA. In 2006, the Province of Mendoza publicly announced its intention to sell shares representing 37.75% of the capital stock of HINISA. See "Item 4.- Our Business-Our Generation Business-Nihuiles and Diamante-Nihuiles." Pursuant to HINISA's concession, if the Province of Mendoza sells these shares, Nihuiles will be required to sell 20% of HINISA's capital stock and would no longer own a controlling 52.04% interest in HINISA. In addition, according to HINISA's by-laws, Nihuiles would not be permitted to purchase any additional shares of HINISA.

We currently consolidate the results of operations of Nihuales. If Nihuales loses its controlling interest in HINISA, it may have a significant adverse effect on the value of our investment in Nihuales and on our consolidated results of operations and the market value of our ADSs. In addition, neither we nor Nihuales has any control over the timing of the Province of Mendoza's proposed sale or the price at which Nihuales would be required to sell its 20% of HINISA's shares. As a result, these shares may be sold at a time and price per share that are adverse to our interests and the return on our investment in Nihuales.

Piedra Buena could be exposed to third-party claims on real property utilized for its operations that could result in the imposition of significant damages, for which we have not established a provision in our Consolidated Financial Statements for potential losses

At the time of Piedra Buena's privatization in 1997, the Province of Buenos Aires agreed to expropriate and transfer to Piedra Buena the real property on which the plant was built and to create administrative easements in favor of Piedra Buena over the third-party lands through which a gas pipeline and an electricity transmission line run. Although the Province of Buenos Aires is in the process of expropriating the property on which the plant is built, as of the date of this annual report, it has not transferred all of the real property with clear and marketable title to Piedra Buena. In addition, the Province of Buenos Aires has not created the administrative easements for Piedra Buena's gas pipeline or the electricity transmission line. In July 2008, Piedra Buena sued the Province of Buenos Aires seeking the creation of the administrative easements in favor of Piedra Buena. Piedra Buena has received several complaint letters from third parties seeking compensation for the use of this land. See "Item 8. - Legal Proceedings-Generation-Legal proceedings involving Piedra Buena's real estate." If the Province does not complete the expropriation process or the administrative easement process, Piedra Buena may be exposed to judicial claims by third parties seeking compensation or damages for which we have not established a provision in our Consolidated Financial Statements. If Piedra Buena were required to pay material damages or compensation for the right to use this real property as a result of adverse outcomes from legal proceedings, we could be required to use cash from operations to cover such costs, which could have a materially adverse effect on our financial condition and consolidated results of operations and cause the market value of our ADSs to decline.

Piedra Buena could be subject to fines and penalties for not having a concession for the use of sea water for the refrigeration of its generation units

Piedra Buena uses sea water to refrigerate its generation units. According to applicable provincial law, such activity requires a concession to be granted by the provincial government. In the documentation that we received with the privatization of Central Piedra Buena, no concession was included. Piedra Buena consulted the regulatory authorities who informed that, according to their files, no such concession has been granted to Piedra Buena. The penalties for such infringement may vary from the application of up to a Ps. 50,000 fine to the closing of the plant. While Piedra Buena considers that the likelihood of any such penalties being imposed is low, we cannot assure you that the operation of Piedra Buena would not be affected if such penalties were to be imposed.

The unfulfillment of the requirements of the Energy Plus Program or its modification or cancellation may affect CTG's profits

If CTG does not comply with the requirements of the Energy Plus Program (SE Resolution No. 1281/2006) or if such program is modified or canceled, CTG would have to sell its production on the spot market, and also, eventually, under the remuneration scheme applicable under SE Resolution No. 95/2013, as amended, which could affect CTG's revenues.

Moreover we cannot assure you that, due to measures adopted by the Secretariat of Energy or its failure to promote the Energy Plus market, the demand of such market will not decrease, which could cause CTG to have to sell its production in the spot market under the remuneration scheme applicable under SE Resolution No. 95/2013, as amended, affecting CTG's revenues. In September 2015, CAMMESA issued Note No. B-102407-4, pursuant to which it obliged CTG to sell its uncommitted production under the Energy Plus Program to the spot market under the price scheme established by SE Resolution No. 482/2015.

In Note No. 567/07, as amended, the Secretariat of Energy established the "Cargo Medio Incremental de la Demanda Excedente" ("CMIEE") as a maximum fee for WEM users with a capacity higher than 300 KW ("WEM Large Users") for their surplus demand in the event that they do not have their demand backed with a contract under the Energy Plus Program. As of the date of this annual report, the CMIEE applicable to Grandes Usuarios Mayores (Major Large Users, or "GUMAs") and Grandes Usuarios Menores (Minor Large Users, or "GUMEs") is equal to 650 Ps./MWh and for Grandes Usuarios del Distribuidor (Major Distribution Users or "GUDIs") 0 \$/MWh. The CMIEE implies an indirect maximum limit to the price that generators under the Energy Plus Program may charge. The detrimental effect that such limits could have on our generators would worsen if the Peso continues its devaluation. As a consequence, if the CMIEE is not adjusted or a higher devaluation of the Peso occurs, this could result in a fall in prices charged by our generators under their Energy Plus Program contracts or in a discontinuance of the Energy Plus contracts, forcing such generators to sell the capacity and energy unsold in the spot market at lower prices.

Risks Relating to our Transmission Business

If we are not able to renegotiate our transmission tariffs regime directly or gain access to another mechanism to generate additional income with the Argentine Government in a timely fashion, it could have a material adverse impact on our financial condition and results of operations

In January 2002, pursuant to the Public Emergency Law, tariffs for the provision of public services, including the transmission of electricity, were converted from their original U.S. Dollar values to Pesos (at a rate of Ps. 1.00 per U.S. \$1.00) and frozen at those levels. Additionally, contract clauses in Transener's and Transba S.A. ("Transba")'s concession agreements requiring adjustments to their tariffs based on foreign inflation indexes and certain other indexation mechanisms were revoked. The Public Emergency Law also required the renegotiation of public service concession agreements. In connection with such renegotiation process, Transener and Transba entered into agreements with the Argentine Government in 2005 that provided for an average tariff increase on fixed charges of 31% for Transener and 25% for Transba. Although these companies' operating costs have significantly increased since 2005, the Ente Nacional Regulador de la Electricidad (the Argentine National Electricity Regulator, or the "ENRE") has not totally adjusted tariffs accordingly. On December 21, 2010, the ENRE and the Secretariat of Energy acknowledged Transener's and Transba's (see "Item 4. - Our Business - Our Transmission Business") right to collect amounts resulting from the variations of costs during the period of June 2005 - to November 2010 in an instrumental agreement (the "Instrumental Agreement"), which payment would be based on CAMMESA's availability of funds, with such payments to be used for investments by us in the transmission system as instructed by the Secretariat of Energy. A mechanism for the calculation and payment of cost variations from December 1, 2010 to December 31, 2011 was also established.

In May 2013, Transener and Transba executed with the ENRE and the SE, a Renewal Agreement of the Instrumental Agreement (the "Renewal Agreement"), setting forth: (i) the recognition of Transener and Transba's rights to collect the amounts resulting from the variations of costs during the period from December 2010 to December 2012, (ii) the payment of outstanding balances from Addenda II (as defined herein), and (iii) a procedure for the updating and payment of cost variations incurred from January 1, 2013 to December 31, 2015, calculated biannually.

On October 25, 2013 and February 14, 2014, Transba and Transener, respectively, negotiated a third Addendum (together, the "Addenda III") to their Financing Agreements (as defined herein) with CAMMESA, to increase their related amounts by the sum of Ps. 324.8 million and Ps. 785.8 million.

On September 2, 2014, Transener and Transba executed with CAMMESA the New Financing Agreements. The New Financing Agreements provided: i) that the Financing Agreements, together with their Addendums I, II and III, are concluded; ii) the granting to Transener and Transba of new loans in the amount of Ps. 622.2 million and Ps. 240.7 million, respectively, corresponding to receivables acknowledged by the SE and the ENRE on account of cost variations for the January 2013-May 2014 period; and iii) the assignment as collateral of the receivables recognized on account of higher costs as at May 31, 2014 pursuant to the Renewal Agreement.

For the year ended December 31, 2015, Transener and Transba recorded revenues from sales as well as accrued interests amounting to Ps. 1,502.6 million in accordance with the Instrumental Agreements and the Renewal Agreement.

On March 17, 2015, Transener and Transba executed with CAMMESA new amendments to their New Financing Agreements (the “Addenda IV”), setting forth: i) the granting to Transener and Transba of new loans in the amount of Ps. 563.6 million and Ps. 178.3 million, respectively, corresponding to (a) the outstanding amount due pursuant to the Financing Agreement as of January 2015, and (b) receivables acknowledged by the Secretariat of Energy and the ENRE on account of cost variations for the June 2014-November 2014 period; and ii) the assignment as collateral of the receivables recognized on account of higher costs as at November 30, 2014 pursuant to the Renewal Agreement.

In September 2015, Transener and Transba executed with the ENRE and the SE, an Amendment to the Renewal Agreement (the “Amendment to the Renewal Agreement”), setting forth the 2015 year financial - economic projection and investment plan in the amount of \$ 431.9 million and \$ 186.6 million for Transener and Transba, respectively, and granting additional non-reimbursable resources for the execution of such investment plan.

On November 25, 2015, Transener and Transba executed with CAMMESA the financing agreements for the implementation of the Amendment to the Renewal Agreement, setting forth: i) the granting to Transener and Transba of new loans in the amount of Ps. 508,9 million and Ps. 317,6 million, respectively, corresponding to (a) receivables acknowledged by the SE and the ENRE on account of cost variations for the December 2014-May 2015 period; and ii) the additional investments required pursuant to the Amendment to the Renewal Agreement.

Pursuant to the Renewal Agreement and the Amendment to the Renewal Agreement, Transener and Transba are currently in communication with the relevant authorities to implement a scheme that would better allow them to fund their business plan. This information consists of monthly cash flows, investments execution and implementation of funds requirements.

We cannot make any assurances that Transener and/or Transba will receive the full amount recognized on the Instrumental Agreements, the Renewal Agreements and the Amendment to the Renewal Agreement or that similar adjustments will be made in the future, according to the Unidad de Renegociación y Análisis de Contratos de Servicios Públicos (Renegotiation and Analysis of Public Services Contracts Unit, or the “UNIREN ACT”) and/or the Instrumental Agreements. If operating costs continue to increase and we do not receive any increase in revenues as a result of a tariff adjustment because of the RTI and/or the full compliance of the Instrumental Agreements or Renewal Agreements, our financial position and results of operations may be adversely affected, which could negatively impact the value of our shares or the ADSS.

Our transmission capacity may be disrupted, which could result in material penalties being imposed on us

Our electricity transmission business depends on Transener’s and Transba’s ability to transmit electricity over long distances through their transmission networks. Our financial condition and results of operations would be adversely affected if a natural disaster, accident or other disruption were to cause a material curtailment of our transmission capacity. Argentina’s transmission system has evolved from a radial pattern to a fully integrated transmission grid system. However, there are areas where generation and demand are connected by a single transmission line or, in some cases, two or more transmission lines in parallel. Accordingly, the outage of any single line could totally disconnect entire sections of the Sistema de Interconexión Nacional (the National Interconnection System, or NIS). The concession agreements establish a system of penalties, which Transener and Transba may incur if defined parts of their networks are not available to transmit electricity, including in cases of force majeure. Consistent with industry standards, Transener and Transba do not maintain business interruption insurance and we cannot make assurances that any future disruption in Transener’s or Transba’s transmission capacity would not result in the imposition of material penalties, the payment of which would require us to use funds from operations and could have a material adverse effect on our financial condition and consolidated results of operations and cause the market value of our ADSS to decline.

The ENRE may reject our request to redetermine the revenues derived from expansion of the NIS as a result of the pesification of these revenues, which would result in a significant shortfall that could adversely affect our financial condition

The Public Emergency Law also affected the revenues we receive in connection with Transener’s expansion of the NIS. In particular, the income from the construction, operation and maintenance of an approximately 1,300 km high-voltage electricity transmission line (500 kilovolts (“kV”)) from the Comahue region to the Abasto substation was converted into Pesos at a rate of Ps. 1.00 per U.S. \$1.00 and then adjusted for inflation. Transener has asked the ENRE, in its capacity as the main party to the construction, operation and maintenance agreement relating to Transener’s construction of the transmission line (which includes approximately 2,550 high voltage towers and the expansion of the Piedra del Águila, Choele Choel, Bahía Blanca, Olavarría and Abasto substations, which we refer to collectively as the “Fourth Line”), to redetermine such revenue. On April 25, 2012, the ENRE issued Resolution No. 99/2012, which established a new annual rate of Ps. 113.4 million as from August 2011 and instructed CAMMESA to make the adjustments, including interest. During the year ended December 31, 2012, revenues were recognized in the amount of Ps. 7.3 million, corresponding to the retroactive adjustment for year 2011.

On August 28, 2013, the ENRE issued Resolution No. 244/2013, which established a new annual rate of Ps. 131.2 million as from August 2012 and instructed CAMMESA to make the adjustments, including interest. On September 13, 2013, Transener presented a Motion for Reconsideration of ENRE Resolution No. 244/2013, which was accepted by the ENRE. As a consequence, on December 4, 2013, the ENRE issued Resolution No. 346/2013 which established a new annual rate of Ps. 132.2 million from August 2012 and instructed CAMMESA to make the adjustments, including interest.

On September 23, 2013, Transener requested the ENRE for a new determination of the Fourth Line's revenue related to the cost variation from August 2013 according to the above mentioned ENRE Resolution No.244/2013. On March 12, 2014, the ENRE issued Resolution No. 79/2014, which established a new annual rate of Ps. 156.2 million as from August 2013 and instructed CAMMESA to make the adjustments necessary for the retroactive payment, including the corresponding interest. On April 3, 2014, Transener presented a Motion for Reconsideration of ENRE's Resolution No. 79/2014, which was partially accepted by the ENRE. As a consequence, on November 12, 2014, the ENRE issued Resolution No. 332/2014 which established a new annual rate of Ps. 158.6 million beginning in August 2013 and instructed CAMMESA to make the adjustments necessary for the retroactive payment, including the corresponding interest.

On September 12, 2014, Transener asked the ENRE for a new determination of the Fourth Line's revenue related to the cost variation from August 2014 to December 19, 2014.

In this respect, Transener requested the ENRE to determine the remuneration corresponding to the Operation and Maintenance of the Fourth Line since December 21, 2014.

On August 5, 2015, the ENRE issued Resolution No. 272/2015, which established the remuneration corresponding to the Operation and Maintenance of the Fourth Line from December 21, 2014 and instructed CAMMESA to make the adjustments necessary to implement the retroactive payment of the remuneration set forth in ENRE Resolution No. 272/2015, including the interest applicable to such remuneration.

Even though the ENRE issued Resolution No. 272/2015, if CAMMESA does not make the necessary adjustments to implement the retroactive payment described above, we could face significant losses in the operation and maintenance of, such transmission line, which could have a material adverse effect on our overall financial condition and results of operations and cause the market value of our ADSs to decline.

Increasing competition in our non-regulated transmission activities could lead to lower revenues

We generate a material portion of our transmission revenues from non-regulated transmission activities, including (a) the construction and installation of electrical assets and equipment, (b) non-network line operation and maintenance, (c) the Fourth Line's operation and maintenance, (d) any adjustment by the Cost Variation Index ("IVC") (according to the Definitive Agreement, the Instrumental Agreement and the Renewal Agreement) and (e) other services. On a consolidated basis, Transener's other net revenues for the year ended December 31, 2015, were Ps. 187.7 million (Ps. 93.9 million on a proportional interest basis), representing 9.6% of Transener's consolidated net revenues for such period. We believe that these non-regulated revenues will continue to be an important part of our transmission business. Historically, Transener has not experienced significant competition in these areas of service (with the exception of its construction and international activities). However, we cannot make any assurance that competition will not substantially increase in the future or that such competition will not contribute directly to decreased revenues, which would adversely affect our financial condition and results of operations and cause the market value of our ADSs to decline.

Transener is highly leveraged, which could limit its financing options or even its ability to service its debt and consequently have an adverse effect on our results of operations

As of December 31, 2015, Transener’s total consolidated indebtedness, denominated in U.S. Dollars and Pesos, amounted to the equivalent of approximately U.S. \$120.5 million (Ps. 1,565.4 million), including accrued but unpaid interest and the effect of the adjustments applied to its debt under IFRS. Transener’s leverage may impair its ability to service its indebtedness and obtain additional financing in the future, withstand competitive pressure and adverse economic conditions or take advantage of significant business opportunities that may arise, each of which could adversely affect our results of operations or growth prospects and cause the market value of our ADSs to decline.

Transener has not completed the legal transfer and registration of title of all of the properties transferred to it and Transba pursuant to the transmission concessions, which could result in potentially significant losses if any defect in title is later discovered

Under their concessions, Transener and Transba became the owners of a large number of properties, including land and buildings associated with the substations, transformers, and other installations previously owned by the predecessor owners of Transener and Transba. Transener is in the process of finalizing certain formalities to legally perfect the transfer of title to these properties to Transener and Transba. Transener and Transba have completed the legal transfer of, and Transener and Transba have registered title to, approximately 87% and 67%, respectively, of these properties as of December 31, 2015. Transener is taking steps to establish and/or record legal title to the remaining properties. Although the concessions contain representations by the predecessor owners of Transener and Transba that they possessed good and valid title to all such properties, if Transener discovers any defects in title during such process, Transener will be liable for any payments required to cure such defects because the predecessor owners no longer exist. We cannot make assurances that any such defect in title, or the costs associated with curing such defect, will not adversely affect our financial condition or results of operations or could cause the market value of our ADSs to decline.

Risks Relating to our Distribution Business

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

Since the execution of the Adjustment Agreement and as required by them, Edenor has been engaged in the RTI with the ENRE. However, the timeline for completing this process and the favorability to us of the final resolution are both uncertain. MEAM Resolution No. 7/2016 issued in January 2016 established that the new deadline for the completion of the RTI process at the end of 2016.

The Adjustment Agreement currently contemplates a cost adjustment mechanism for the transition period during which the RTI is being conducted. This mechanism, known as the Cost Monitoring Mechanism (the “CMM”), requires the ENRE to review Edenor’s actual distribution costs every six months (in May and November of each year) and adjust Edenor’s distribution margins to reflect variations of 5% or more in Edenor’s distribution cost base. Edenor may also request that the ENRE apply the CMM at any time that the variation in Edenor’s distribution cost base is at least 10% or more. Any adjustments, however, are subject to the ENRE’s assessment of variations in Edenor’s costs, and the ENRE’s approval of adjustments have not been sufficient to cover Edenor’s actual incremental costs in a timely manner. In the past, even when the ENRE has approved adjustments to Edenor’s tariffs, there has been a lag between the time when Edenor actually experienced increases in the distribution costs and the time when Edenor received increased income following the corresponding adjustments to its distribution margins pursuant to the CMM.

During the years ended December 31, 2012 and 2011, Edenor recorded a significant decrease in net income and operating income (recording and operating loss in 2012), and Edenor's working capital and liquidity levels were negatively affected, primarily as a result of the delay in obtaining a tariff increase and in having the tariff adjusted to reflect increases in the distribution costs, coupled with a constant increase in operating costs to maintain adequate service levels, all of which has affected Edenor's capacity to perform its commercial obligations. In this context and in light of the situation that affected the electricity sector, the ENRE issued Resolution No. 347/2012 in November 2012, which established the application of fixed and variable charges that have allowed Edenor to obtain additional revenue as from November 2012 through 2016. However, changes made by SE Resolution No. 258/2013 and Notes No. 6852/2013, No. 4012/2014, No. 486/2014 and No. 1136/2014 and the additional revenue obtained through SE Resolution No. 347/2012 were insufficient to make up Edenor's operating deficit in 2014, due to the constant increase in operating costs.

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

In January 2016, the ME&M issued Resolution No. 7/2016, 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, and is expected to take all necessary action to conclude the RTI process by December 31, 2016.

In addition, such resolution: (i) abrogated the PUREE; (ii) repealed SE Resolution No. 32/2015 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; and (iv) ordered the implementation of the actions required to terminate the trusts created pursuant to Resolution No. 347/2012 of the ENRE.

Pursuant to Resolution No. 7/2016, the ENRE issued Resolution No. 1/2016 establishing a new tariff structure. However, if Edenor is not able to recover all future cost increases, and/or if there is a significant lag time between when Edenor incurs the incremental costs and when it receives income increase, and/or if Edenor is not successful in achieving a satisfactory renegotiation of the tariff structure, Edenor may be unable to comply with its financial obligations, may suffer liquidity shortfalls and may need to restructure its debt to ease its financial condition, any of which, individually or in the aggregate, would have a material adverse effect on our business and consolidated results of operations, and may cause the value of our ADSs and shares may decline.

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

Edenor's inability to obtain tariff adjustments in line with the actual changes in costs could result in Edenor's inability to meet its trade obligations and could also have a material adverse effect on Edenor's ability to meet its financial obligations

Although Resolution No. 7/2016 issued by the ME&M and Resolution No. 1/2016 of the ENRE established a new tariff scheme pursuant to the terms of the Adjustment Agreement and on account of the future RTI, it did not include any adjustment method to reflect future variations in costs. If inflation levels in 2016 continue the trend of 2015, the increase in tariffs provided by Resolution No. 1/2016 of the ENRE may prove insufficient to support the real variation in costs.

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

Edenor's distribution tariffs may be subject to challenges by Argentine consumer and other groups

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

In February 2016, Edenor adjusted its tariff again, and as of the date of this annual report, there had not been any challenges thereto. However, we cannot make assurances that other actions or requests for injunctive relief will not be brought by these or other groups seeking to reverse the adjustments Edenor has obtained or to block any further adjustments to our distribution tariffs. If these legal challenges were successful and prevented us from implementing tariff adjustments granted by the Argentine Government, we could face a decline in collections from distribution customers, and a decline in our results of operations, which may have a material adverse effect in our financial condition and the market value of our shares and ADSs.

Our distribution business has 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, in particular as a result of a recent measure adopted by the ENRE

We operate in a highly regulated environment and our distribution business has been and in the future may continue to be subject to significant fines and penalties by regulatory authorities, including for reasons outside our control, such as service disruptions attributable to problems at generation facilities or in the transmission network that result in a lack of electricity supply. Since 2001, the amount of fines and penalties imposed on our distribution business has increased significantly. As of December 31, 2015, 2014 and 2013, Edenor's accrued fines and penalties totaled Ps.1,253.1 million (including Ps.186.3 million under the ENRE settlement agreement), Ps. 1,102.8 million and Ps. 923.8 million, respectively (taking into account adjustments made to fines and penalties following the ratification of the Adjustment Agreement).

Although the Argentine Government has agreed to waive a portion of these accrued fines and penalties pursuant to the Adjustment Agreement and to allow Edenor to repay the remaining balance over time, this waiver and repayment plan is subject to a number of conditions, including compliance with quality of service standards, reporting obligations and required capital investments. If our distribution business fails to comply with any of these conditions, the Argentine Government may seek to obtain payment of these fines and penalties.

On April 15, 2016, the ENRE issued Note No. 120,151(the "Note") establishing that all fines and penalties imposed by the ENRE after April 15, 2016 (whether with respect to events occurring on or after such date or events occurring prior to the date thereof but for which fines or penalties had not been imposed on Edenor by such date that include a reference to "the Note" must be valued according to the Kwh values in effect as of the last date of the semester or period during which the event giving rise to the penalty occurred, including any increases or adjustments applicable to Edenor's "remuneration" at such date. In addition, the Note provides that fines and penalties that fall within the purview of the Note are to accrue interest from last day of the semester on which the event giving rise to the penalty occurred until the date they are paid by Edenor. As of the date of this annual report, it is unclear how the ENRE will consider that the fines and penalties not yet imposed on Edenor relating to events that occurred prior to April 15, 2016, should be valued as per Edenor's "remuneration" and Edenor has therefore calculated the amount of such fines and penalties according to its interpretation of the Note. Regarding this, Edenor believes that the term "remuneration" should be interpreted to mean those amounts effectively paid by the users through the tariff.

As of the date of this annual report, fines and penalties in an aggregate amount equal to Ps. 757.2 million are subject to the Note. Edenor believes that such amount as adjusted to reflect accrued interest according to the Note would increase by Ps. 129.8 million. If the ENRE interprets that the term “remuneration” includes all amounts received by Edenor in the form, or in lieu, of subsidies, such amount could be significantly higher (in a range of three to five times higher).

In addition, based on recent verbal exchanges with certain officials the Macri administration, believes that fines and penalties already imposed on Edenor (but not yet paid) should also bear interest until the time of payment or waiver thereof. If interest over such penalties was to be payable by Edenor (which Edenor believes should not be the case), its results of operations could be materially and adversely affected.

In Edenor’s opinion, any adjustments to its fines and penalties (whether by virtue of the Note or otherwise, and including the accrual of interest as provided in the Note) should not be applicable to Edenor because the delay in imposing such fines and penalties was caused by the Argentine Government and was not within its control. Additionally, if such adjustments are made applicable to Edenor, Edenor believes the Argentine Government would be binding Edenor to the terms of the Adjustment Agreement without taking into account that it has not recognized certain of its rights thereunder, such as Edenor’s right to have tariffs adjusted to reflect increases in operation costs that are necessary for adequately providing its services.

In addition, we cannot assure you that our distribution business will not incur significant fines in the future, which could have a material adverse effect on our financial condition and results of operations and the market value of our shares and ADSs.

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

Our distribution concession does not allow our distribution business to pass through to our customers the cost of additional energy purchased to cover any energy losses that exceed the loss factor contemplated by the concession, which is, on average, 18%. As a result, if our distribution business experiences energy losses in excess of those contemplated by the concession, we may record lower operating profits than we anticipate. Prior to the 2001 and 2002 economic crisis in Argentina, Edenor had been able to reduce the high level of energy losses experienced at the time of the privatization to the levels contemplated (and reimbursed) under the concession. However, during the last years, Edenor’s level of energy losses, particularly Edenor’s non-technical losses, started to grow again, in part as a result of the increase in poverty levels and, with it, the number of delinquent accounts and fraud. Although Edenor continues making investments to reduce energy losses, these losses continue to exceed the 18% average loss factor contemplated in 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. Energy losses in our distribution business amounted to 14.9 % in 2015, 14.3% in 2014 and 13.0% in 2013. We cannot assure you that energy losses will not increase again in future periods, which may lead to lower margins in our distribution segment and could adversely affect our financial condition and consolidated results of operations and the market value of our shares and ADSs.

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

Pursuant to our distribution concession and the provisions of the Adjustment Agreement, the Argentine Government has the right to foreclose on its pledge over Edenor’s Class A common shares and sell these shares to a third-party buyer if:

- the fines and penalties incurred in any given year exceed 28% of Edenor’s gross energy sales, net of taxes (which corresponds to Edenor’s energy sales);
- Edenor repeatedly and materially breaches the terms of our distribution concession and does not remedy these breaches upon the request of the ENRE;
- EASA, Edenor’s controlling shareholder, creates any lien or encumbrance over Edenor’s Class A common shares (other than the existing pledge in favor of the Argentine Government);
- Edenor or EASA obstructs the sale of Class A common shares at the end of any management period under our distribution concession;
- EASA fails to obtain the ENRE’s approval in connection with the disposition of Edenor’s Class A common shares;
- Edenor’s shareholders amend its 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
- Edenor, or any existing shareholders or former shareholders of EASA who have brought a claim against the Argentine Government in the ICSID do not desist from such ICSID claims following completion of the RTI and the approval of a new tariff regime.

In 2015, the fines and penalties imposed on Edenor by the ENRE amounted to an estimated Ps. 281.7 million, which represented 7.6% of Edenor’s energy sales.

If the Argentine Government were to foreclose on its pledge over Edenor’s 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 of the pledge on Edenor’s Class A common shares may be deemed to constitute a change of control under the terms of Edenor’s Senior Notes due 2017 and 2022. See “--Edenor may not have the ability to raise the funds necessary to finance a change of control offer as required by Edenor’s Senior Notes due 2017 and 2022.” If the Argentine Government forecloses its pledge over Edenor’s Class A common shares, our results of operations and financial condition could be significantly affected and the market value of our ADSs could also be affected.

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

If the Argentine Government breaches its obligations in such a way that we cannot comply with our obligation under our distribution concession or in such a way that Edenor’s service is materially affected, we may request the termination of our distribution concession, after giving the Argentine Government 90 days’ prior notice. Upon termination of our distribution concession, all our assets used to provide electricity distribution service would be transferred to a new state-owned company to be created by the Argentine Government, whose shares would be sold in an international public bidding procedure. The amount obtained in such bidding would be paid to Edenor, net of the payment of any debt owed by Edenor 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.

Edenor may be unable to import certain equipment to meet the growing demand for electricity, which could lead to a breach of Edenor’s concession and could have a material adverse effect on its operations and financial position

Certain restrictions on imports that may be adopted in the future by the Argentine Government could limit or delay Edenor’s ability to purchase capital goods that are necessary for our operations (including carrying out specific projects) (see “The actions taken by the Fernández de Kirchner administration to reduce imports may adversely affect our ability to access capital goods that are necessary for our operations”). Under Edenor’s concession, it is obligated to satisfy all of the demand for electricity originated in its concession area, maintaining at all times certain service quality standards that have been established for its concession. If Edenor is not able to purchase significant capital goods to satisfy all of the demand or suffer unexpected delays in the import process, it could face fines and penalties which may, in turn, adversely affect its activity, financial position and results of operations.

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

We outsource a number of activities related to our distribution business to third-party contractors in order to maintain a flexible cost base. As of December 31, 2015, we had approximately 2,927 third-party employees under contract in our distribution business. 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 the outsourcing of our distribution business, such liabilities could have an adverse effect on our financial condition and consolidated results of operations and the market value of our shares and ADSs.

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

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

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

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

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

Although our distribution 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 might reasonably modify the composition of the electricity distribution business, we cannot assure you that future developments will not enable competition in our industry that would adversely affect the exclusivity right granted by our concession. Any total or partial loss of our exclusive right to distribute electricity within our service area would likely lead to increased competition, and result in lower revenues in our distribution segment, which could have a material adverse effect on our financial condition and consolidated results of operations and the market value of our shares and ADSs.

A potential nationalization or expropriation of 51% of Edenor’s capital stock, represented by its Class A shares, may limit the capacity of the Class B common shares to participate in the Board of Directors

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

If the Argentine Government were to expropriate 51% of Edenor’s capital stock, represented by Edenor’s 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 Edenor’s shareholders, including the election of a majority of Edenor’s directors, and would be able to direct Edenor’s operations.

If the Argentine Government nationalizes or expropriates 51% of Edenor’s capital stock, represented by its 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 Edenors’s ADSs and Class B common shares to decline.

Edenor may not have the ability to raise the funds necessary to repay its commercial debt with CAMMESA, Edenor’s major supplier

As of December 31, 2015, Edenor owed approximately Ps.3,360.6 million (including interest) to CAMMESA. Although Edenor submitted to CAMMESA a repayment plan in November 2015, as of the date of this annual report negotiations with CAMMESA continue with respect to a final repayment schedule. This debt therefore remains due and unpaid and Edenor has not secured any waivers from CAMMESA. If CAMMESA request that Edenor repay such debt in a single payment, it may be unable to raise the funds to repay it and, consequently, Edenor could be exposed to a cash attachment, which could in turn result in Edenor’s filing for a voluntary reorganization proceeding (*concurso preventivo*), which could cause the market value of our ADSs and Class B common shares to decline.

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

As of the date of this annual report, approximately U.S.\$191.1 million of Edenor’s financial debt is represented by its Senior Notes due 2017 and 2022. Under the indentures for the Senior Notes due 2017 and 2022, if a change of control occurs, Edenor must offer to buy back any and all such notes that are outstanding at a purchase price equal to 100% of the aggregate principal amount of such notes, plus any accrued and unpaid interest thereon and additional amounts, if any, through the purchase date. Edenor may not have sufficient funds available to it to make the required repurchases of the Senior Notes due 2017 and 2022 upon a change of control. If Edenor fails to repurchase such notes in these circumstances,that may constitute an event of default under the indentures, which may in turn trigger cross-default provisions in other of Edenor’s debt instruments then outstanding.

All of Edenor’s outstanding financial indebtedness contains bankruptcy, reorganization proceedings and expropriation events of default, and Edenor may be required to repay all of its outstanding debt upon the occurrence of any such events

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

Edenor is currently required by law to undertake a mandatory capital stock reduction and may in the future be required to be dissolved and liquidated

Edenor’s losses for 2014 exceeded its reserves plus more than 50% of its capital stock at the end of that year, and Edenor was therefore required to mandatorily reduce its capital stock pursuant to Article 206 of the Argentine Corporations Law unless it received a capital contribution or expected future revenues or results of operations which would result in its liabilities not exceeding 50% of its assets. In the shareholders’ meeting held on April 28, 2015 it was decided not to proceed with the mandatory stock reduction considering the better results in the first quarter of 2015. If Edenor’s losses for any fiscal year exceed its reserves plus 50% or more of its capital stock at the end of any such year, it will fall under the purview of Section 206 of the Argentine Corporations Law and will be required to mandatorily reduce its capital stock. Moreover, if Edenor’s shareholders equity becomes negative (that is, if Edenor’s total liabilities exceed its total assets) at the end of any fiscal year, Edenor will be required to dissolve and liquidate pursuant to Article 94 of the Argentine Corporations Law unless Edenor receives a capital contribution or expect future revenues or results of operations which would result in its assets exceeding its liabilities. A mandatory capital stock reduction can adversely affect Edenor’s results of operations and financial conditions.

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

The New York Stock Exchange (“NYSE”) and/or the Buenos Aires Stock Exchange may suspend and/or cancel the listing of Edenor’s ADSs and Class B common shares, respectively, in certain circumstances, including upon the occurrence of certain events relating to Edenor’s financial situation. For example, the NYSE may decide such suspension or cancellation if its 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 Buenos Aires Stock Exchange may cancel the listing of Edenor’s Class B common shares if it determines that Edenor’s shareholders’ equity and Edenor’s financial and economic situation do not justify Edenor’s access to the stock market or if the NYSE cancels the listing of Edenor’s ADSs.

We cannot assure you that the NYSE and/or Buenos Aires Stock Exchange will not commence any suspension or delisting procedures in light of Edenor’s current financial situation, including if Edenor’s shareholders’ equity becomes negative. A delisting or suspension of trading of Edenor’s ADSs or Class B common shares by the NYSE and/or the Buenos Aires Stock Exchange, respectively, could adversely affect Edenor’s results of operations and financial conditions and cause the market value of Edenor’s 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 Edenor’s operations and financial performance

Weather conditions may influence the demand for electricity, Edenor’s ability to provide it and the costs of providing it. In particular, severe weather may adversely affect Edenor’s results of operations by causing significant demand increases, which Edenor may be unable to meet without a significant increase in operating costs. This could strongly impact the continuity of Edenor services and its 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. Furthermore, any such disruptions in the provision of Edenor’ services could expose Edenor to fines and orders to compensate those customers affected by any such power cuts, as has occurred in the past. Edenor’s financial condition, results of operations and cash flows could therefore be negatively affected by changes in weather conditions and severe weather.

Risks Relating to our Oil and Gas business

Petrolera Pampa is not the operating partner in all of the joint ventures (joint operations for accounting purposes) in which it participates, and actions undertaken by the operators in such joint ventures could have a material adverse effect on the success of these operations

Our subsidiary Petrolera Pampa generally undertakes its activities in exploration and exploitation of hydrocarbons in a particular area by entering into an agreement with third parties to participate in joint ventures (joint operations for accounting purposes). Under the terms and conditions of these agreements, one of the parties takes the role of operator of the joint venture, and thus assumes responsibility for executing all activities undertaken pursuant to the joint venture agreement. However, Petrolera Pampa does not always assume the role of operator and therefore, in such cases, is exposed to risks relating to the performance of and the measures taken by the operator to carry out the activities. Such actions could have a material adverse effect on the success of these joint ventures, and thus adversely affect Petrolera Pampa’s financial condition and results of operations.

Petrolera Pampa conducts all of its operations through joint ventures, and its failure to resolve any material disagreements with its partners or to continue such joint ventures could have a material adverse effect on the success of such operations

Petrolera Pampa conducts all of its oil and gas operations through joint ventures and as a result, the continuation of such joint ventures is vital to its success. Any material disagreements with Petrolera Pampa’s partners could have an adverse effect on the success of such joint ventures. In the event that any of Petrolera Pampa’s partners were to decide to terminate its relationship with Petrolera Pampa in respect of a joint venture or sell its interest in a joint venture, Petrolera Pampa may not be able to replace that partner or obtain the necessary financing to purchase that partner’s interest. Accordingly, Petrolera Pampa’s failure to resolve disagreements with its partners or to maintain its joint ventures could adversely affect its ability to conduct the underlying operations of such joint venture, which, in turn, could negatively affect Petrolera Pampa’s financial condition and results of operations.

Any failure of Petrolera Pampa to comply with its commitments to make certain investments under its investment agreements could negatively affect its results of operations

Petrolera Pampa has commitments to make certain investments under its investment agreements. Failure to comply with such commitments in a timely manner could result in a breach of the relevant partnership agreement, foreclosure of any guarantees and/or the loss of all rights over the underlying area, which could have an adverse effect on Petrolera Pampa's results of operations.

Petrolera Pampa's ability to generate revenues and meet its financial obligations is dependent on the success of its oil and gas exploration and production projects, which are concentrated in a single block

Petrolera Pampa's sole corporate purpose is the study, exploration, exploitation, commercialization, industrialization and storage of solid, liquid and/or gaseous hydrocarbons and their derivatives. Petrolera Pampa's ability to generate revenues, cover its fixed and variable costs and meet its financial obligations depends on the success of Petrolera Pampa's oil and gas exploration and production projects. As of December 31, 2015, more than 95% of Petrolera Pampa's total revenues were derived from the sale of natural gas. A significant portion of Petrolera Pampa's natural gas production, 72%, was concentrated in the Rincón del Mangrullo block. Accordingly, any unexpected interruption in production at this block for an extended period of time could negatively impact Petrolera Pampa's results of operations and ability to generate sufficient cash flows.

Petrolera Pampa's results of operations are also dependent, to a significant extent, on its continued participation in two key government programs and its ability to collect payments under such programs

Petrolera Pampa's results of operations and financial condition also depend, to a significant extent, on its continued participation in two key programs established by the Argentine Government with the aim of generating higher levels of activity, investment and employment in the domestic natural gas sector.

Upon formation, one of Petrolera Pampa's primary objectives was to capitalize on the opportunity to sell natural gas under the Gas Plus Program, which was created by the Ministry of Energy in 2008 to encourage natural gas production in Argentina. In 2015, through the Gas Plus Program, Petrolera Pampa was able to sell 31% of its natural gas production at a price higher than the average price in the domestic market. However, various factors, including certain regulatory requirements, may affect its ability to sell natural gas under this program.

In 2013, Petrolera Pampa also began participating in the *Programa de Estímulo a la Inyección Excedente de Gas Natural* (Natural Gas Surplus Injection Stimulus Program, or the "Natural Gas Stimulus Program"). Companies that participate in the Natural Gas Stimulus Program agree to a minimum injection volume (the "Base Volume") to be sold at a fixed price (the "Base Price") and receive U.S.\$7.50 per mmBtu for any amount of natural gas produced in excess of the Base Volume (the "Surplus Injection"). The Argentine Government agrees to compensate participating companies, on a monthly basis, for: (i) any difference between U.S.\$7.50 per mmBtu and the price actually received for the sale of the Surplus Injection and (ii) any difference between the Base Price and the price actually received for the sale of the Base Volume.

As of the date of this annual report, we receive U.S.\$7.50 per mmBtu from the Argentine Government for any volume of natural gas that we produce in excess of an agreed threshold with respect to 91% of Petrolera Pampa's total natural gas production. However, as of the date of this annual report, Petrolera Pampa has only collected payments from the Argentine Government through April 2015. Although Petrolera Pampa's compensation is denominated in U.S. Dollars, it is billed in Pesos and converted at the prevailing exchange rate during the month in which the payment is made, thereby leaving Petrolera Pampa exposed to an exchange rate risk between the billing date and the collection date. As of December 31, 2015, overdue payables due to us under the Natural Gas Stimulus Program amounted to Ps. 451.8 million. If Petrolera Pampa does not collect the Natural Gas Stimulus Program compensation in a timely manner or if its total compensation decreases as a result of exchange rate fluctuations, Petrolera Pampa may face liquidity restraints that could negatively affect its financial conditions and ability to pay its debts and as a consequence could affect its results of operations and conditions.

In addition, if Petrolera Pampa is unable to fulfill its commitments under the Natural Gas Stimulus Program, it may not receive any compensation for Surplus Injection and it may be removed from the program or pay fines, among other potential consequences. The Argentine Government may also not be obligated to pay such compensation if certain conditions are met, such as LNG import prices remaining below U.S.\$7.50 per mmBtu for a continued period of six months. Petrolera Pampa is not currently obligated to pay royalties on the compensation it receives from the Argentine Government in connection with the Natural Gas Stimulus Program. We cannot, however, guarantee that Petrolera Pampa will not be required to pay royalties or other charges for the amounts it receives in the future or the amounts it has received in the past, which, in turn, could affect its results of operations.

Petrolera Pampa additionally faces the risk of the Argentine Government suspending the Gas Plus Program and/or the Natural Gas Stimulus Program, as was the case when the *Ministerio de Planificación Federal, Inversión Pública y Servicios* (Ministry of Federal Planning, Public Investment and Services) suspended the implementation of the “Oil Plus” program in February 2012 in response to market conditions. If the same were to occur to either of these key programs, Petrolera Pampa’s ability to generate revenues would be substantially impaired, which, in turn, would negatively affect its results of operations.

Unless Petrolera Pampa replaces its oil and gas reserves, its reserves and production will decline over time

Production from oil and gas fields declines as reserves are depleted, with the rate of decline depending on reservoir characteristics. Accordingly, the amount of proved reserves declines as these reserves are produced. The level of Petrolera Pampa’s future oil and natural gas reserves and production, and therefore its cash flows and income, are highly dependent on its success in efficiently developing its current reserves, entering into new investment agreements and economically finding or acquiring additional recoverable reserves. While Petrolera Pampa has had success in identifying and developing commercially exploitable deposits and drilling locations in the past, it may be unable to replicate that success in the future. Petrolera Pampa may not identify any more commercially exploitable deposits or successfully drill, complete or produce more oil or gas reserves, and the wells that it has drilled and currently plan to drill may not result in the discovery or production of any further oil or natural gas. If Petrolera Pampa is unable to replace its current and future production, the value of its reserves will decrease, and its results of operations could be negatively affected.

Petrolera Pampa’s estimated oil and gas reserves are based on assumptions that may prove inaccurate

Petrolera Pampa’s oil and gas reserves estimates as of December 31, 2015 are based on the Netherland, Sewell & Associates, Inc. (“Independent Reserves Engineers Firm”) year-end reserves report (the “Reserves Report”). Although classified as “proved reserves”, the reserves estimates set forth in the Reserves Report are based on certain assumptions that may prove inaccurate. The Independent Reserves Engineers Firm’s primary economic assumptions in estimates included oil and gas sales prices determined according to the guidelines described in the Reserves Report, future expenditures and other economic assumptions (including interests, royalties and taxes) provided by Petrolera Pampa.

Oil and gas reserves engineering is a subjective process of estimating accumulations of oil and gas that cannot be measured in an exact way, and estimates of other engineers may differ materially from those set out in this offering memorandum. Numerous assumptions and uncertainties are inherent in estimating quantities of proved oil and gas reserves, including projecting future rates of production, timing and amounts of development expenditures and prices of oil and gas, many of which are beyond Petrolera Pampa’s control. Results of drilling, testing and production after the date of the estimate may require revisions to be made. The estimate of Petrolera Pampa’s oil and gas reserves would be impacted if, for example, Petrolera Pampa was unable to sell the oil and natural gas it produces. Accordingly, reserves estimates are often materially different from the quantities of oil and gas that are ultimately recovered, and if such recovered quantities are substantially lower than the initial reserves estimates, this could have a material adverse impact on Petrolera Pampa’s results of operations.

We face significant competition in the acquisition of exploratory acreage and oil and natural gas reserves

The Argentine oil and gas industry is extremely competitive. When Petrolera Pampa bids for exploration or exploitation rights with respect to a block, it faces significant competition not only from private companies, but also public companies. In fact, the provinces of La Pampa, Neuquén and Chubut have formed companies to carry out oil and gas activities on behalf of their respective provincial governments. The state-owned energy companies ENARSA S.A. and YPF are also major players in the Argentine oil and gas market. As a result, Petrolera Pampa cannot assure that we will be able to acquire new exploratory acreage or oil and gas reserves in the future, which could negatively affect its financial condition and results of operations. There can be no assurance that the participation of ENARSA or YPF S.A. (or any provincial owned company) in the bidding processes for new oil and gas concessions will not influence market forces in such a manner that could have an adverse effect on Petrolera Pampa’s financial condition and results of operations.

Petrolera Pampa may incur significant costs and liabilities related to environmental, health and safety matters

Petrolera Pampa’s operations, like those of other companies in the Argentine oil and gas industry, are subject to a wide range of environmental, health and safety laws and regulations. These laws and regulations have a substantial impact on Petrolera Pampa’s operations and could result in material adverse effects on its financial position and results of operations.

Environmental, health and safety regulation and case law in Argentina is developing at a rapid pace and no assurance can be provided that such developments will not increase Petrolera Pampa’s cost of doing business and liabilities. In addition, due to concern over the risk of climate change, a number of countries have adopted, or are considering the adoption of, new regulatory requirements to reduce greenhouse gas emissions, such as carbon taxes, increased efficiency standards, or the adoption of cap and trade regimes. If adopted in Argentina, these requirements could make Petrolera Pampa’s products more expensive as well as shift hydrocarbon demand toward relatively lower-carbon sources such as renewable energies.

Risks Relating to our Shares and ADSs

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 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 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 are still in effect. Among the restrictions that are still in effect are those relating to the payment prior to maturity of the principal amount of loans, bonds or other securities owed to non-Argentine residents and the requirement for Central Bank approval prior to acquiring foreign currency for certain types of investments. Although the transfer of funds abroad in order to pay dividends no longer requires Central Bank approval to the extent such dividend payments are made in connection with audited financial statements approved by a shareholders’ meeting, restrictions on the movement of capital to and from Argentina such as those that previously existed could, if reinstated, impair or prevent the conversion of dividends, distributions, or the proceeds from any sale of shares, as the case may be, from Pesos into U.S. Dollars and the remittance of such U.S. Dollars abroad. We cannot assure you that the Argentine Government will not take similar measures in the future. In such a case, the depositary for the ADSs may hold the Pesos it cannot otherwise convert for the account of the ADS holders who have not been paid. Nonetheless, the adoption by the Argentine Government of restrictions on the movement of capital out of Argentina may affect the ability of our foreign shareholders and holders of ADSs to obtain the full value of their shares and ADSs and may adversely affect the market value of our shares and ADSs.

ADS holders’ ability to receive cash dividends may be limited

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

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

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

Holders of ADSs may be unable to exercise voting rights with respect to the 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 shares underlying the ADSs and holders may exercise voting rights with respect to the 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 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 shares will receive notice of shareholders’ meetings through publication of a notice in an official gazette in Argentina, an Argentine newspaper of general circulation and the daily bulletin of the Buenos Aires Stock Exchange, and will be able to exercise their voting rights by either attending the meeting in person or voting by proxy. ADS holders, by comparison, do not receive notice directly from us. Instead, in accordance with the deposit agreement, we provide the notice to the depositary. If we ask it to do so, the depositary will mail to holders of ADSs the notice of the meeting and a statement as to the manner in which instructions may be given by holders. To exercise their voting rights, ADS holders must then instruct the depositary as to voting the 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 shares and shares represented by ADSs may not be voted as the holders of ADSs desire. 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.

Provisions of our bylaws and of Argentine securities laws could deter takeover attempts and have an adverse impact on the price of our shares and the ADSs

Our bylaws and Argentine securities laws contain provisions that may discourage, delay or make more difficult a change in control of our Company, such as the requirement, upon the acquisition of a certain percentage of our capital stock, to launch a tender offer to acquire a certain percentage of our capital stock, which percentage ranges from 10% to 100% depending on several factors. These provisions may delay, defer or prevent a transaction or a change in control that might otherwise be in the best interest of our shareholders and may adversely affect the market value of our shares and ADSs. In addition, the provisions of our bylaws and of Argentine securities laws with respect to the obligation to launch a mandatory tender offer differ in certain respects; as of the date of filing of this annual report, it is unclear whether the provisions of our bylaws, which might be more beneficial to minority shareholders under certain circumstances than the provisions of Argentine securities laws in effect as of the date hereof, would prevail over the provisions of Argentine securities laws.

Item 4. Information on the Company

HISTORY AND DEVELOPMENT OF THE COMPANY

Pampa Energía S.A. (in English, Pampa Energy Inc., hereinafter referred to as “Pampa Energía”) is incorporated as a *sociedad anónima* under the laws of Argentina. Our principal executive offices are located at Ortiz de Ocampo 3392, Building #4, City of Buenos Aires, Argentina (C1425DSR). Our telephone number is + 54 11 4809 9500. Our website address is www.pampaenergia.com. None of the information available on our website or elsewhere will be deemed to be included or incorporated by reference into this annual report.

We were incorporated on February 20, 1945, for a duration of 99 years, until June 30, 2044, under the name Frigorífico La Pampa S.A. In 2003, we suspended our former business activities, which were limited to the ownership and operation of a cold storage warehouse building. In 2005, Messrs. Damián Mindlin, Gustavo Mariani and Ricardo Torres acquired a controlling stake in us. Following this acquisition, we changed our corporate name to Pampa Holding S.A. As a result of several acquisitions we have made since 2006, we are currently the largest fully integrated electricity company in Argentina and, through our subsidiaries and joint controlled companies, we are engaged in the generation, transmission and distribution of electricity in Argentina and also in the oil and gas business. We changed our corporate name again to Pampa Energía S.A. in September 2008 and have operated under this name since then.

We operate our electricity businesses in a highly regulated environment. Our hydroelectric generation activities and our transmission and distribution activities are subject to the terms of concessions granted by the Argentine Government. Our oil and gas business is also operated under a highly regulated environment and our upstream operations are subject to the terms of concession agreements with provincial governments and joint venture agreements (joint operations for accounting purposes) with our partners. In addition, our electricity prices and our transmission and distributions tariffs are subject to regulation by Argentine Government, acting through the ME&M and its Secretariats and the ENRE, and respective provincial governments, acting through the respective provincial authorities.

OUR BUSINESS

Overview

We are the largest fully integrated electricity company in Argentina. Our generation subsidiaries had an aggregate installed generating capacity of 2,217 MW as of December 31, 2015, representing 6.6% of the installed generating capacity in Argentina at such date, and generated a total of 8,057 net GWh of electricity during the year ended December 31, 2015, representing approximately 6% of total electricity generated in Argentina during such period. We own an indirect joint controlling interest in Transener, which operates and maintains the largest high voltage electricity transmission system in Argentina, with approximately 18,523 km (including Transba) of high voltage transmission lines that, as of December 31, 2015, represented approximately 90% of the high voltage system in Argentina, according to the information made available by CAMMESA. We believe that our subsidiary Edenor is the largest electricity distribution company in Argentina, in terms of number of customers and electricity sold (in terms of both GWh and Pesos) in 2015, based on publicly available figures released by electricity distribution companies in Argentina.

Our principal assets, as of the date of this annual report, are divided among our electricity generation, transmission and distribution businesses, as follows:

- **Generation.** Our generation assets include:
 - HINISA and HIDISA, two hydroelectric power generation systems with an aggregate installed capacity of 653 MW located in the Province of Mendoza, which we acquired in October 2006; Güemes, including (i) a thermal generation plant (Central Térmica Güemes) with an installed capacity of 361 MW located in General Güemes, in the Province of Salta, which we acquired in January 2007; and (ii) a thermal generation plant (Central Térmica Piquirenda) with an installed capacity of 30 MW located in Piquirenda, General San Martín, in the Province of Salta, which we acquired in March 2011;