

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 could continue to have a material adverse effect on private sector entities, including us. For example, during the Argentine economic crisis of 2001, the Argentine Government froze electricity distribution margins and caused the pesification of our tariffs, which had a materially adverse effect on our business and financial condition and led us to suspend payments on our financial debt at the time.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In November 2008, the Argentine Government enacted Law No. 26,425 which provided for the nationalization of the Argentine private pension funds (*Administradoras de Fondos de Jubilaciones y Pensiones*, the "AFJPs") (see "The nationalization of Argentina's private pension funds caused an adverse effect in the Argentine capital markets and increased the Argentine Government's interest in certain stock exchange listed companies, such that the Argentine Government became a significant shareholder of such companies"). Beginning in April 2012, the Argentine Government provided for the nationalization of YPF and imposed major changes to the system under which oil companies operate, principally through the enactment of Law No. 26,741 and Decree No. 1277/2012. In February 2014, the Argentine Government and Repsol announced that they had reached agreement on the terms of the compensation payable to Repsol for the expropriation of the YPF shares. Such compensation amounted to U.S.\$ 5 billion, payable by delivery of Argentine sovereign bonds with various maturities. Additionally, on December 19, 2012, the Argentine Government issued Decree No. 2552/2012 which, in its article 2, ordered the expropriation of the "*Predio Rural de Palermo*". However, on January 4, 2013, the Federal Civil and Commercial Chamber granted an injunction that has temporarily blocked the application of Decree No. 2,552/2012. We cannot assure you that these or other measures that may be adopted by the Argentine Government, such as expropriation, nationalization, forced renegotiation or modification of existing contracts, new taxation policies, changes in laws, regulations and policies affecting foreign trade, investment, etc., will not have a material adverse effect on the Argentine economy and, as a consequence, adversely affect our financial condition, our results of operations and the market value of our shares and ADSs.

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

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

Since 2011, the Argentine Government has adopted exchange controls such as requiring an authorization of tax authorities to access the foreign exchange market and introduced measures that have imposed limits on access to the foreign exchange market to retail transactions. It is widely reported that the Peso/U.S. Dollar exchange rate in the unofficial market substantially differs from the official Peso/U.S. Dollar exchange rate. See "Item3 - Key Information - Exchange Rates" and "Item 10-Exchange Controls." In addition to the foreign exchange restrictions, in June 2005 the Argentine Government adopted various rules and regulations that established new restrictive controls on capital inflows into the country, including a requirement that, for certain funds remitted into Argentina, an amount equal to 30% of the funds must be deposited into an account with a local financial institution as a U.S. Dollar deposit for a one-year period without any accrual of interest, benefit or other use as collateral for any transaction.

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

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

Prior to 2009, a significant portion of the local demand for securities of Argentine companies came from Argentine private pension funds. In response to the global economic crisis, in December 2008, by means of Argentine Law No. 26,425, the Argentine Congress unified the Argentine pension and retirement system into a system publicly administered by the National Social Security Agency (*Administración Nacional de la Seguridad Social*, or the "ANSES"), eliminating the pension and retirement system previously administered by private managers. In accordance with the new law, private pension managers transferred all of the assets administered by them under the pension and retirement system to the ANSES. With the nationalization of Argentina's private pension funds, the Argentine Government, through 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 was prevented from exercising more than 5% of its voting rights in any stock exchange listed company (regardless of the equity interest held by ANSES in such companies). ANSES has since exercised its voting rights in excess of such 5% limit in order to appoint directors in different stock exchange listed companies in which it holds an interest exceeding 5%. ANSES's interests may differ from those of other investors and, consequently, those investors may understand that ANSES's actions might have an adverse effect on such companies. As of the date of this annual report, ANSES owns shares representing 23.23% of the capital stock of the Company and also owns shares of the capital stock of our subsidiaries Edenor and Transener.

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

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

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

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

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

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

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

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

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

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

Risks Relating to the 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 "WEM") 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.

Furthermore, on November 15, 2011, the Secretariat of Energy issued Note No. 8752, which provided that any approval by the provincial governments of increases to the electricity tariffs applicable to end-users as of November 1, 2011, will trigger a proportionate decrease in the federal subsidy available to that end-user in connection with the purchase of electricity. Since the issuance of Note No. 8752, certain provincial governments have initiated legal proceedings to challenge the jurisdiction of the Secretariat of Energy to issue Note No. 8752, particularly because of the potential chilling effect that this regulation may have on the ability of the provincial governments to increase electricity tariffs. As of the date of this annual report, at least one unfavorable ruling against the Argentine Government had been rendered. These proceedings had not been resolved as of the date of this annual report. In addition to the foregoing, several provincial governments have recently enacted new regulations in order to charge electricity end-users amounts corresponding to the cuts in the federal subsidy.

On November 27, 2012, the Secretariat of Energy issued SE Resolution No. 2016, which approved the seasonal WEM prices – subsidized and not subsidized – for the period from November 2012 through April 2013. The seasonal price format was modified, concluding in a single purchase price without considering any demand nor time segmentation and taking into account the structure of the demand as of October 2012 as the base. Subsequently, in June 2013, the Secretariat of Energy adopted SE Resolution No. 408/13, which maintains both the single price and the criteria for raising subsidies during the winter season, with a reduction of the single price only for those months and a subsequent reversion of prices in October 2013.

The Argentine Government has also announced an analysis of new measures that would change the current regulatory framework of the energy sector. On March 26, 2013, the Secretariat of Energy issued SE Resolution No. 95/2013, which introduced a new scheme for the remuneration for the electricity generation sector and several modifications to the organization of the WEM, including the suspension of the administration of new contracts, or the renewal of existing contracts, in the term market of the WEM (see “Item 4.–The Argentine Electricity Sector–SE Resolution No. 95/2013, as amended–New price scheme and other modifications to the WEM”). The price scheme established by SE Resolution No. 95/2013 was amended by SE Resolution No. 529/2014, which provided for the modification of the methodology for calculation of the fixed costs remuneration, the implementation of a new remuneration to cover extraordinary maintenance works for thermal generators and the retroactive adjustment of prices as from February 2014. We cannot assure you that these or other measures that may be adopted by the Argentine Government will not have a material adverse effect on our business and results of operations or on the market value of our shares and ADSs or that the Argentine Government will not adopt emergency legislation similar to the Public Emergency Law, or other similar resolutions, in the future that may further increase our regulatory obligations, including increased taxes, unfavorable alterations to our tariff structures and other regulatory obligations, compliance with which would increase our costs and have a direct negative impact on our results of operations and cause the market value of our ADSs 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 4.7% from 2012 to 2014). This increase in electricity demand since 2003 reflects the relative low cost, in real terms, of electricity to consumers due to the freezing of 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 this respect, we cannot assure you that these measures or any future measures (including increases on tariffs for residential users) will not lead electricity companies, like us, to record lower revenues and results of operations than currently anticipated, which may, in turn, have a material adverse effect on the market value of our ADSs.

If 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 Energía Argentina S.R.L. (“Ysur”) (formerly Apache Energía 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—Other Businesses—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.

Petrolera Pampa’s inclusion in the Encouragement Program may be discontinued or we may not be able to collect the compensation offered thereunder

Through Resolution No. 27/2013, the *Comisión de Planificación y Coordinación Estratégica del Plan Nacional de Inversiones Hidrocarburíferas* (National Investment Plan for Hydrocarbon's Strategic Planning and Coordination Commission or the "Commission") included Petrolera Pampa's project as one of the projects to receive the compensation of U.S.\$ 7.5 /MMBTU for volume in excess of an agreed threshold (See "Item 4.- Our Business - Other Business - Gas Market").

Petrolera Pampa cannot assure the continuity of this program or the timely collection of the correct compensation offered thereunder.

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, 2014, approximately 80% 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 co-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 Energia S.A. ("Petrobras Energia"), with respect to the management of Transener. Electroingenieria S.A. ("Electroingenieria"), now Grupo Eling S.A. and Energia Argentina S.A. ("Enarsa") subsequently acquired Petrobras Energia's interest in Citelec's capital stock. While we were able to enter into similar agreements that we enjoyed with Petrobras Energia, 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.

The Company 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

The Company, through its applicable subsidiary, 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 a joint ventures (joint operations for accounting purposes). Under the terms and conditions of these agreements, one of the parties thereto has the role of operator of the joint venture, and thus assumes responsibility for executing all activities undertaken pursuant to the joint venture agreement. However, the Company 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 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.

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

Our revenues are collected 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. We have sought to hedge this risk in part by converting a portion of our excess cash denominated in Pesos into U.S. Dollars and investing those funds outside Argentina, as permitted at the relevant time by applicable Argentine Central Bank regulations, and by entering into currency forward contracts. However, pursuant to the new Argentine Central Bank regulations, we can no longer convert a portion of our excess cash denominated in Pesos into U.S. Dollars, and we therefore are not able to hedge this risk and thus have substantial exposure to the U.S. Dollar. We cannot assure you whether the Argentine Government will maintain these exchange regulations, or will instead allow us to access the market to acquire U.S. Dollars in the manner we have done so in the past. Although we may also seek to enter into further hedging transactions to cover all or a part of our exposure, since the implementation of the regulations described above we have not been able to hedge any of our exposure to the U.S. Dollar on terms we consider viable for our company. If we continue to be unable to effectively hedge all or a significant portion of our currency risk exposure, a 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 July 13, 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.

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 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. 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.

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 and CTG depends on the recognition by CAMMESA of Gas Plus costs

Loma de la Lata and EGSSA (now merged into CTG) have 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 (market value). 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 and EGSSA (now merged into CTG). CAMMESA has to recognize the Gas Plus cost to Loma de la Lata and EGSSA (now merged into CTG) in order for Loma de la Lata and EGSSA (now merged into CTG) 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 and/or EGSSA (now merged into CTG) to pay the natural gas suppliers may be affected. Consequently, in such a situation, Loma de la Lata and/or EGSSA (now merged into CTG) 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 and EGSSA’s (now merged into CTG) obligations and to keep the agreements in force. As a consequence of this situation, Loma de la Lata and/or EGSSA (now merged into CTG) 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”).

We cannot assure you that the changes on the terms and conditions for the provision of natural gas under the Gas Plus Program 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) 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.

A judgment of the Court of the International Chamber of Commerce against Loma de la Lata could adversely affect Loma de la Lata’s operations

Loma de la Lata is involved in an arbitration proceeding before an arbitration tribunal constituted according to the rules of the International Chamber of Commerce in connection with the Construction Agreement and the Supply Agreement (each as defined herein). In addition to the claim for integral damages recovery made by Loma de la Lata, the claim of the Project Counterparties (as defined herein) is, among others, the refund of the sums received for the foreclosure of the guarantees issued by BBVA Banco Frances S.A. See “Item 8. - Legal Proceedings – Legal Proceedings involving Loma de la Lata”. A judgment against Loma de la Lata by the Court of the International Chamber of Commerce could adversely affect the business, the results of operations and the financial position of Loma de la Lata.

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 their 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 their production in the spot market under the remuneration scheme applicable under SE Resolution No. 95/2013, as amended, affecting CTG's revenues.

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 450 Ps./Mwh and for *Grandes Usuarios del Distribuidor* (Major Distribution Users or “GUDIs”) 550 \$/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. 324,850,385 and Ps. 785,844,648.

As of December 31, 2014, Transener and Transba had recognized only Ps. 1,131.4 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.

Pursuant 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 and Renewal Agreements 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. 90/2012, 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 which were 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 which were 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 20, 2014. As of the date of this annual report, the ENRE had not answered such request. If the ENRE fails to increase the revenues we receive under the Fourth Line contract on the terms requested, we could face significant losses on our investment in the construction of, and 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 the construction and installation of electrical assets and equipment, non-network line operation and maintenance, supervision of the expansion of the NIS, supervision of independent transmitters' operation and maintenance and other services. On a consolidated basis, Transener's other net revenues for the year ended December 31, 2014, were Ps. 304.3 million (Ps. 152.1 million on a proportional interest basis), representing 20.6% 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, 2014, Transener's total consolidated indebtedness, denominated in U.S. Dollars and Pesos, amounted to the equivalent of approximately U.S. \$133.0 million (Ps. 1,141.7 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, 2014. 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 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") and as required by them, Edenor has been engaged in the Integral Tariff Revision (*Revisión Tarifaria Integral*, or "RTI") with the ENRE. However, the timeline for completing this process and the favorability to us of the final resolution are both uncertain.

The Adjustment Agreement currently contemplates a cost adjustment mechanism for the transition period during which the RTI is being conducted. This mechanism, known as the Cost Monitoring Mechanism (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 we cannot guarantee that the ENRE will approve adjustments that are sufficient to cover Edenor's actual incremental costs. In the past, even when the ENRE has approved adjustments to Edenor's tariffs, there has been a lag between when Edenor actually experiences increases in the distribution costs and when Edenor receives increased income following the corresponding adjustments to its distribution margins pursuant to the CMM. In addition, Edenor has estimated that the actual distribution costs have been significantly higher than the ones determined with the CMM adjustments that have been requested. Despite the adjustment Edenor was granted under the CMM in October 2007 and July 2008, we cannot assure you that Edenor will receive similar adjustments in the future. As of the date of this annual report, Edenor has requested fourteen additional increases under the CMM since May 2008, all of which have been recognized by the ENRE (have been applied retroactively to amounts owed to Edenor up to December 2014, pursuant to SE Resolution No. 250/2013 and Notes No. 6852/2013, No. 4012/2014, No. 486/2014 and No. 1136/2014), but have not been transferred to the tariff structure as of the date of this annual report. Under the terms of the Adjustment Agreement, these fourteen increases should have been approved incorporated into our tariff structure in May and November of each year from 2008 onwards.

During the years ended December 31, 2012 and 2011, Edenor recorded a significant decrease in net income and operating income (we recorded 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 affects the electricity sector, the ENRE issued Resolution No. 347/2012 in November 2012, which establishes the application of fixed and variable charges that have allowed Edenor to obtain additional revenue as from November 2012. However, changes made by SE Resolution No. 250/2013 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 due to the constant increase in operating costs and the estimated salary or third-party costs increases for the year 2014.

In March 2015, the Secretariat of Energy issued SE Resolution No. 32/2015 granting 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.

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.

Edenor has prepared its annual financial statements for the fiscal year ended December 31, 2014 in accordance with the accounting principles applicable to a going concern. In Edenor's opinion the issuance of SE Resolution No. 32/2015 provides a greater degree of certainty concerning the financial conditions and prospects for 2015 compared to the situation existing prior to its issuance and Edenor understands it constitutes a reasonable basis for the commencement of the RTI. Edenor's independent auditors, issued a report dated May 12, 2015 on its 2014 financial statements, without qualifying its opinion, they draw the attention to the situation explained in Note 1 of Edenor's financial statements in relation to Edenor's economic and financial situation. In March 2015, the Secretariat of Energy issued SE Resolution No. 32/2015 granting Edenor a temporary increase in income through additional funding from CAMMESA, applicable retroactively as from February 1, 2015, to pay for costs and investments associated with the regular provision of the public service of distribution of energy on account of the future RTI. Although SE Resolution No. 32/2015, SE Resolution No. 250/2013 and Notes No. 6852/2013, No. 4012/2014, No. 486/2014 and No. 1136/2014 of the SE have provided additional income, most of these adjustments have not been incorporated into Edenor's tariff structure and if inflation levels during the coming years continue the trend of inflation during 2014, the temporary increase provided by SE Resolution No. 32/2015 may prove insufficient to support the real variation in costs.

As discussed in Note 1 to Edenor's 2014 financial statements, based on the estimated cost increases and financial projections made by Edenor in light of SE Resolution No. 32/2015, Edenor's Board of Directors understands that financial resources are expected to be available, at least during fiscal year 2015, to cover not only the operating costs and debt interest payments during 2015, but also part of the investment plans, assuming that the payment plan to be agreed upon with CAMMESA for the cancellation of the outstanding debt with the MEM takes into consideration Edenor's expected capacity to generate surplus cash flows to service outstanding debt with the MEM. Compliance with the investment plans will depend on whether the Argentine Government continues funding our investment plan. Although these temporary measures decreased the degree of uncertainty surrounding its financial capacity for the next 2015 fiscal year, Edenor's Board of Directors believes that the sustainable recovery of the economic and financial equation of the public service Edenor render, will fundamentally depend on the application of a RTI that takes into consideration the permanent development of operating costs, that allows for the payment of the required investments to meet the increasing demand with the quality levels stipulated in the Concession Agreement, that makes it possible to have access to financing sources and cover the corresponding costs and that allows, at the same time, for the generation of a reasonable return on the investments.

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 SE Resolution No. 250/2013 and Notes No. 6852/2013, No. 4012/2014, No. 486/2014 and No. 1136/2014 provided additional sources of funds, as they recognized the corresponding CMM adjustments retroactively, these have not been sufficient to support the real variation in costs, principally due to salary adjustments and increased operating expenses above the inflation recorded by the INDEC. During 2014, Edenor's working capital needs have been mostly sustained through financing provided by CAMMESA, as electricity distribution tariffs were not sufficient to cover our costs.

In this respect, on March 13, 2015, the Secretariat of Energy issued SE Resolution No. 32/2015 granting Edenor a temporary income increase in an amount equal to the difference between a “theoretical” tariff schedule set forth in such resolution and the actual tariff schedule in force for each category of users. However, the “theoretical” tariff schedule did not include any adjustment method to reflect variations in costs. If inflation levels during the coming years continue the trend of inflation during 2014, the increase provided by SE Resolution No. 32/2015 may prove insufficient to support the real variation in cost.

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

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.

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 are successful and prevent us from implementing tariff adjustments granted by the Argentine Government, we could face a decline in collections from distribution customers, and a decline in our results of operations, which may 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

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. After 2001, the amount of fines and penalties imposed on our distribution business increased significantly, which we believe is mainly due to the economic and political environment in Argentina following the 2001 and 2002 economic crisis. Although the Argentine Government has agreed to forgive a significant portion of these accrued fines and penalties pursuant to the Adjustment Agreement and to allow Edenor to repay the remaining balance over time, this forgiveness and repayment plan is subject to a number of conditions, including compliance with quality of service standards, reporting obligations and required capital investments. As of December 31, 2014, December 31, 2013 and December 31, 2012, Edenor’s consolidated accrued fines and penalties totaled Ps. 1,102.8 million, Ps. 923.8 million and Ps. 662.0 million, respectively (taking into account our adjustment to fines and penalties following the ratification of the Adjustment Agreement). If our distribution business fails to comply with any of these conditions, the Argentine Government may seek to obtain payment of these fines and penalties. 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 permit 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, 10%. 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 10% average loss factor contemplated in the concession, and based on the current economic turmoil, we do not expect these losses to decrease in the near term. Energy losses in our distribution business amounted to 14.3% in 2014, 13.0% in 2013 and 13.3% in 2012. 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 20% 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 2014, the fines and penalties imposed on Edenor by the ENRE amounted to an estimated Ps. 252.2 million, which represented 7% 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 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 can 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 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 imposed by Argentine Government could limit or delay Edenor’s ability to purchase capital goods that are necessary for its operations (including carrying out specific projects). Under Edenor’s concession, we are obligated to satisfy all of the demand for electricity originated in Edenor’s concession area, maintaining at all times a service quality standard that has been established for Edenor’s concession. If Edenor is not able to purchase significant capital goods to satisfy all the demand, or suffer unexpected delays in the import process, Edenor could face fines and penalties which may, in turn, adversely affect Edenor’s financial condition and consolidated 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, 2014, we had approximately 2,271 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’ employees will not initiate legal actions to seek indemnification from us based upon a number of judicial rulings issued by labor courts in Argentina recognizing joint and several liability between the contractor and the entity to which it is supplying services under certain circumstances. 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 legal 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, 2014, Edenor owed approximately Ps.2,257.1 million to CAMMESA (taking into account CMM credits compensations). This debt is due and unpaid and Edenor has not secured any waivers from CAMMESA, if CAMMESA request that Edenor repay such debt, 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 more than 50% of its capital stock at the end of that year, and therefore, Edenor is required to mandatorily reduce its capital stock pursuant to Article 206 of the Argentine Corporate Law ("BCL") unless Edenor receives a capital contribution or expect future revenues or results of operations which would result in Edenor's liabilities not exceeding 50% of its assets. In Edenor's shareholders' meeting held on April 28, 2015, it was decided not to proceed with the mandatory stock reduction considering the better results in the first quarter of 2015 and Edenor's board of directors was instructed to assess whether in succeeding quarters Edenor qualifies for mandatory capital stock reduction and convene, in such case, an extraordinary shareholders' meeting to reconsider this issue. If Edenor losses for any fiscal year exceed its reserves plus 50% or more of its capital stock at the end of any such year, Edenor will fall under the purview of Section 206 of the BCL 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 BCL unless it receives a capital contribution or expect future revenues or results of operations which would result in Edenor's assets exceeding its liabilities. A mandatory capital stock reduction of Edenor can adversely affect our results of operations and financial conditions and cause the market value of our ADSs and Edenor's ADSs and Class B common shares to decline.

The New York Stock Exchange and/or the Buenos Aires Stock Exchange may suspend trading and/or delist 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’s 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 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, the requirement for Central Bank approval prior to acquiring foreign currency for certain types of investments and the requirement that 30% of certain types of capital inflows into Argentina be deposited in a non-interest-bearing account in an Argentine bank for a period of one year. Although the transfer of funds abroad in order to pay dividends no longer requires Central Bank approval to the extent such dividend payments are made in connection with audited financial statements approved by a shareholders’ meeting, restrictions on the movement of capital to and from Argentina such as those that previously existed could, if reinstated, impair or prevent the conversion of dividends, distributions, or the proceeds from any sale of shares, as the case may be, from Pesos into U.S. Dollars and the remittance of such U.S. Dollars abroad. We cannot assure you that the Argentine Government will not take similar measures in the future. In such a case, the depository for the ADSs may hold the Pesos it cannot otherwise convert for the account of the ADS holders who have not been paid. Nonetheless, the adoption by the Argentine Government of restrictions on the movement of capital out of Argentina may affect the ability of our foreign shareholders and holders of ADSs to obtain the full value of their shares and ADSs and may adversely affect the market value of our 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 3302, 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 co-controlled companies, we are engaged in the generation, transmission and distribution of electricity in Argentina. 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 Federal government, acting through the Secretariat of Energy 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, 2014, representing 7.1% of the installed generating capacity in Argentina at such date, and generated a total of 9,008 net GWh of electricity during the year ended December 31, 2014, representing approximately 7.1% of total electricity generated in Argentina during such period. We own an indirect co-controlling interest in Transener, which operates and maintains the largest high voltage electricity transmission system in Argentina, with more than 18,438 km (including Transba) of high voltage transmission lines that, as of December 31, 2014, 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 2014, 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;