As filed with the Securities and Exchange Commission on April 28, 2017

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016 Commission File number: 001-33422

Empresa Distribuidora y Comercializadora Norte S.A.

(Exact name of Registrant as specified in its charter)

Distribution and Marketing Company of the North S.A.
(Translation of Registrant's name into English)

Argentine Republic
(Jurisdiction of incorporation or organization)

Avenida Del Libertador 6363
Ciudad de Buenos Aires, C1428ARG
Buenos Aires, Argentina
(Address of principal executive offices)

Leandro Montero
Tel.: +54 11 4346 5510 / Fax: +54 11 4346 5325 Avenida Del Libertador 6363
(C1428ARG)
Buenos Aires, Argentina
Chief Financial Officer
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of each exchange on which registered
Class B Common Shares	New York Stock Exchange, Inc.*
American Depositary Shares, or ADSs, evidenced by American Depositary Receipts, each representing 20 Class B Common Shares	New York Stock Exchange, Inc.

* Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: N/A

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 462,292,111 Class A Common Shares, 442,210,385 Class B Common Shares and 1,952,604 Class C Common Shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Sections 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Note: Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every

Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer	☐	**Accelerated Filer**	☒
Non-Accelerated Filer	☐	**Emerging Growth Company**	☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐
International Financial Reporting Standards as issued by the International Accounting Standards Board ☒ **Other** ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow: Item 17 ☐ **Item 18** ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes ☐ **No** ☒

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PART I

Item 1. *Identity of Directors, Senior Management and Advisors*

Not applicable.

Item 2. *Offer Statistics and Expected Timetable*

Not applicable.

Item 3. *Key Information*

In this annual report, except as otherwise specified, references to "we", "us", "our" and "the Company" are references to (i) Empresa Distribuidora y Comercializadora Norte S.A., or "Edenor", on a standalone basis prior to March 1, 2011, (ii) Edenor, Empresa Distribuidora Eléctrica Regional S.A. ("Emdersa") and Aeseba S.A. ("Aeseba"), between March 1, 2011 and March 31, 2013, (iii) Edenor and Emdersa, between March 1, 2011 and September 30, 2013, and (iv) Edenor on a standalone basis, from October 1, 2013 through the date of filing of this annual report. References to Edenor, Emdersa and/or Aeseba on a standalone basis are made by naming each company as the case may be. For more information, see "Item 4—Information on the Company—History and Development of the Company."

FORWARD-LOOKING STATEMENTS

This annual report includes forward-looking statements, principally under the captions "Item 3. Key Information - Risk Factors", "Item 4. Information on the Company" and "Item 5. Operating and Financial Review and Prospects". We have based these forward-looking statements largely on our current beliefs, expectations and projections about future events and financial trends affecting our business. Forward-looking statements may also be identified by words such as "believes", "expects", "anticipates", "projects", "intends", "should", "seeks", "estimates", "future" or similar expressions. Many important factors, in addition to those discussed elsewhere in this annual report, could cause our actual results to differ materially from those expressed or implied in our forward-looking statements, including, among other things:

- The implementation of the resolution that concluded the integral tariff revision (Revision Tarifaria Integral, or "RTI") process in the upcoming years;
- uncertainties related to future government interventions or legal actions, such as provisional remedies, that could affect our tariffs;
- general political, economic, social, demographic and business conditions in the Republic of Argentina, or "Argentina" and particularly in the geographic market we serve;
- the impact of regulatory reform and changes in the regulatory environment in which we operate;
- electricity shortages;
- the evolution of energy losses and the impact of fines and penalties and uncollectable debt;
- potential disruption or interruption of our service;
- the revocation or amendment of our concession by the granting authority;
- our ability to implement our capital expenditure plan, including our ability to arrange financing when required and on reasonable terms;
- fluctuations in exchange rates, including a devaluation of the Peso;
- the impact of high rates of inflation on our costs; and,
- additional matters identified in "Risk factors".

Forward-looking statements speak only as of the date they were made, and we undertake no obligation to update publicly or to revise any forward-looking statements after we file this annual report because of

new information, future events or other factors. In light of these limitations, undue reliance should not be placed on forward-looking statements contained in this annual report.

SELECTED FINANCIAL DATA

The following tables present our summary financial data for the years ended December 31, 2016, 2015, 2014, 2013 and 2012. This information should be read in conjunction with our audited financial statements as of December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016 (the "Financial Statements"), the related notes thereto and the information under "Item 5. Operating and Financial Review and Prospects" included elsewhere in this annual report. The financial data as of December 31, 2016, have been derived from our Financial Statements.

Our Financial Statements have been prepared in accordance with International Financing Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and these have been approved by resolution of the board of directors' meeting held on March 8, 2017. See "Item 18—Financial Statements".

The selected statement of comprehensive (loss) income data for the years ended December 31, 2016, 2015, 2014, 2013 and 2012, and the selected statement of financial position data as of December 31, 2016, 2015, 2014, 2013 and 2012 have been prepared in accordance with IFRS, as issued by the IASB, and have been derived from our financial statements, which were audited by Price Waterhouse & Co. S.R.L. ("PwC"), member firm of PricewaterhouseCoopers network. The financial data as of December 31, 2014, 2013 and 2012 is derived from our audited consolidated financial statements that are not included in this annual report, which were also audited by PwC.

During 2016, we recorded, as we had done in 2012 and 2014, negative operating and net results, thus deteriorating once again our economic and financial situation, which had temporarily improved in 2015 as a consequence of the issuance of Resolution No. 32/15 by the Secretariat of Energy (the "SE"). Such resolution addressed the need for the adjustment of our distribution resources and considered the adoption of urgent and interim measures necessary in order not only to maintain the quality and safety of our service but also to satisfy the constant year-on-year increase in demand for electricity following Argentina's relative economic growth in recent years (especially, from 2012 through 2015).

The negative results mentioned above were mainly caused because by the delay in the performance of certain obligations under the Adjustment Agreement, especially with regard to the implementation of the semi-annual rate adjustments and the completion of the RTI process. In this context, on December 16, 2015, the Macri administration (as defined below) issued Decree No. 134/15, which declared the state of emergency with respect to the national electricity system, authorizing the Ministry of Energy and Mining (the "ME&M") to implement a nation-wide plan of action for the generation, transmission and distribution of electricity and to take actions to guarantee the supply of the electricity under adequate economic and technical conditions.

As part of the restructuring of the electricity sector, in January 2016, the ME&M issued Resolution No. 6/16 and the Ente Nacional Regulador de la Electricidad ("ENRE") Resolution No. 1/16, through which approved a new tariff scheme that established the new generation cost and partially adjusted our distribution added value ("VAD") in order to make investments, carry out maintenance works and expand networks.

In respect of these measures, from May through November 2016, several courts granted provisional remedies (injunctions) ordering the temporary suspension of the resolutions increasing tariffs in the Province of Buenos Aires. In the "Abarca" case, an injunction was issued extending throughout the entire concession area of the Province of Buenos Aires, which was lifted on September 6, 2016, and its economic impact on us was compensated in four installments that were charged to the customers' invoices as from October 2016. Other provisional remedies were granted with respect to the districts of "Pilar" and "La Matanza", which remained in effect until October 24 and November 11, 2016, respectively, when they expired. The negative effect related to these provisional remedies was compensated by Compañía Administradora del Mercado Mayorista Eléctrico S.A. ("CAMMESA") through credit notes as authorized by the ME&M (Note No. 2016-04484723). As of the date of this annual report, no injunction remains in force, and the tariff scheme resulting from the referenced ENRE resolutions was applied to all customers.

The tariff scheme established by Resolution No. 1/16, which improved our gross margin (taking into account that the effects of the provisional remedies were compensated), resulted insufficient to comply with the provision of the public service in a satisfactory manner in terms of quality and safety,

mainly because of the increase in operating expenses, particularly as a result of the recalculation of ENRE fines and penalties following the implementation of Note No. 120,151, issued on April 15, 2016 (the "Note"), and the increase in non-technical losses and past due receivables. Thus, within a context of continued increase in the demand for electricity, our economic and financial situation became untenable.

However, despite the negative operating and net results recorded in 2016, our board of directors is optimistic that the new tariff schedule (set in force by Resolution No. 63/17 of the ENRE) will establish a regulatory framework with clear and precise rules, which will make possible for us not only to cover our operation costs, afford our investment plans and meet debt interest payments, but also to deal with the impact of the different variables that affect our business from time to time.

Our Financial Statements are included in this annual report beginning on page F-1. The statement of cash flows for the year ended December 31, 2015 has been revised to present the cash inflows related to such agreements within financing activities in the statement of cash flows, instead of operating activities as previously presented. Also, the increase in the balances of the loans with CAMMESA for funds received by the FOCEDE for the year ended December 31, 2015 is now presented as a non-cash transaction in the supplementary disclosures to the statement of cash flows instead of operating activities as previously presented.

This correction to the financial statements impacted only the statement of cash flows, and there was no impact on the statements of financial position, comprehensive income, or equity, or on the basic and diluted (loss) earnings per share.

In accordance with the decision of our board of directors to divest and sell the subsidiary Aeseba as of March 31, 2013 and the subsidiaries Emdersa Holding S.A. ("Emdersa Holding" or "EHSA"), including Emdersa and its subsidiaries, Empresa Distribuidora de San Luis S.A. ("Edesal"), Empresa Distribuidora de La Rioja S.A. ("Edelar"), Empresa Distribuidora de Salta S.A. ("Edesa") and Emdersa Generación Salta S.A. ("EGSSA"), as of December 31, 2011, we have classified the corresponding assets and liabilities associated to these subsidiaries in the consolidated financial statements as of December 31, 2013, 2012 and 2011 as "Assets of disposal groups classified as held for sale" and "Liabilities of disposal groups classified as held for sale". As of October 11, 2011, October 25, 2011 and May 10, 2012 the Company sold its direct and indirect stake in EGSSA (subject to a condition precedent related to Emdersa's spin-off), Edesal and Edesa, respectively. The corresponding charges to results have been included within "Income (Loss) from discontinued operations" line item in our consolidated statements of comprehensive loss for the years ended December 31, 2012 and 2011. As of April 5, 2013, the Company sold its stake in Aeseba. The corresponding charges to results have been included within "Loss from Discontinued operations" line item in our consolidated statements of comprehensive loss for the year ended December 31, 2013.

In this annual report, except as otherwise specified, references to "$", "U.S.$" and "Dollars" are to U.S. Dollars, and references to "Ps." and "Pesos" are to Argentine Pesos. Solely for the convenience of the reader, Peso amounts as of and for the year ended December 31, 2016 have been translated into U.S. Dollars at the selling exchange rate for U.S. Dollars quoted by Banco de la Nación Argentina (the "Banco Nación") on December 31, 2016, which was Ps. 15.89 to U.S.$ 1.00, unless otherwise indicated. The U.S. Dollar equivalent information should not be construed to imply that the Peso amounts represent, or could have been or could be converted into, U.S. Dollars at such rates or any other rate. See "Item 3. Key Information—Exchange Rates" and "Item 3. Key Information—Risk Factors—Risks Relating to Argentina—Fluctuations in the value of the Peso could adversely affect the Argentine economy, and, in turn adversely affect our results of operations."

Certain figures included in this annual report have been subject to rounding adjustments. Accordingly, any discrepancies between the totals and the sums of amounts are due to rounding.

Statement of comprehensive (loss) income *

	2016	2016	2015	2014	2013	2012
	US$	Ps.	Ps.	Ps.	Ps.	Ps.
Continuing operations						
Revenue from sales (1)	823.1	13,079.6	3,802.2	3,598.4	3,440.7	2,976.2
Electric power purchases	(381.4)	(6,060.3)	(2,022.0)	(1,878.1)	(2,050.3)	(1,740.2)
Subtotal	**441.7**	**7,019.3**	**1,780.2**	**1,720.3**	**1,390.4**	**1,236.0**
Transmission and distribution expenses	(386.9)	(6,147.2)	(3,153.7)	(2,825.1)	(2,055.3)	(1,344.1)
Gross income (Loss)	**54.9**	**872.1**	**(1,373.5)**	**(1,104.8)**	**(664.9)**	**(108.1)**
Selling expenses	(101.7)	(1,616.7)	(832.8)	(657.9)	(548.3)	(352.9)
Administrative expenses	(73.1)	(1,162.3)	(706.1)	(496.8)	(324.8)	(249.4)
Other operating income	5.5	87.2	79.2	52.4	61.6	32.3
Other operating expense	(29.2)	(463.9)	(502.5)	(318.7)	(142.8)	(150.3)
Income from non-reimbursable customer contributions	0.0	0.8	0.8	0.8	0.7	-
Operating (loss) profit before SE Resolution 250/13 and subsequent Notes	**(143.7)**	**(2,283.0)**	**(3,334.9)**	**(2,525.0)**	**(1,618.5)**	**(828.4)**
Recognition of income – provisional remedies – MEyM Note 2016-04484723	70.8	1,125.6	-	-	-	-
Income recognition on account of the RTI - SE Resolution 32/15	26.4	419.7	5,025.1	-	-	-
Higher costs recognition - SE Resolution 250/13 and subsequents Notes	5.1	81.5	551.5	2,271.9	2,933.1	-
Operating (loss) profit	**(41.3)**	**(656.1)**	**2,241.7**	**(253.1)**	**1,314.6**	**(828.4)**
Financial income	12.4	196.8	96.2	235.5	287.1	75.5
Financial expenses (2)	(90.9)	(1,444.9)	(450.0)	(592.0)	(504.9)	(226.0)
Other financial expense	(1.7)	(27.5)	(561.7)	(324.5)	(273.1)	(168.1)
Net financial (expense)	**(80.3)**	**(1,275.6)**	**(915.5)**	**(681.0)**	**(490.9)**	**(318.6)**
(Loss) profit before taxes	**(121.6)**	**(1,931.7)**	**1,326.2**	**(934.1)**	**823.7**	**(1,147.0)**
Income tax	46.8	743.1	(183.8)	154.4	44.1	116.7
(Loss) profit for the year from continuing operations	**(74.8)**	**(1,188.7)**	**1,142.4**	**(779.7)**	**867.8**	**(1,030.3)**
Discontinued operations	-	-	-	-	(95.1)	16.9
(Loss) profit for the year	**(74.8)**	**(1,188.7)**	**1,142.4**	**(779.7)**	**772.7**	**(1,013.4)**
(Loss) profit for the year attributable to:						
Owners of the Company	(74.8)	(1,188.7)	1,142.4	(779.7)	771.7	(1,016.5)
Non-controlling interests	-	-	-	-	1.0	3.1
(Loss) profit for the year	**(74.8)**	**(1,188.7)**	**1,142.4**	**(779.7)**	**772.7**	**(1,013.4)**
(Loss) profit for the year attributable to the owners of the parent						
Continuing operations	(74.8)	(1,188.7)	1,142.4	(779.7)	867.9	(1,030.3)
Discontinued operations	-	-	-	-	(96.2)	13.8
	(74.8)	**(1,188.7)**	**1,142.4**	**(779.7)**	**771.7**	**(1,016.5)**

Statement of comprehensive (loss) income * *(continued)*

	2016	2016	2015	2014	2013	2012
	US$	Ps.	Ps.	Ps.	Ps.	Ps.
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Results related to benefit plans	0.5	7.8	(3.7)	(17.8)	(21.0)	7.9
Tax effect of actuarial (losses) income on benefit plans	(0.2)	(2.7)	1.3	6.2	7.4	(2.8)
Total other comprehensive loss from discontinued operations	-	-	-	-	-	(2.1)
Total other comprehensive income (loss)	**0.3**	**5.1**	**(2.4)**	**(11.6)**	**(13.6)**	**3.0**
Comprehensive income for the year attributable to:						
Owners of the parent	(74.5)	(1,183.6)	1,140.0	(791.3)	758.1	(1,013.2)
Non-controlling interests	-	-	-	-	1.0	2.8
Comprehensive (loss) income for the year	**(74.5)**	**(1,183.6)**	**1,140.0**	**(791.3)**	**759.1**	**(1,010.4)**
(Loss) profit for the year attributable to the owners of the parent						
Continuing operations	(74.5)	(1,183.6)	1,140.0	(791.3)	757.1	(1,025.1)
Discontinued operations		-	-	-	1.0	11.9
	(74.5)	**(1,183.6)**	**1,140.0**	**(791.3)**	**758.1**	**(1,013.2)**
Basic and diluted (loss) earnings per share:						
Basic and diluted (loss) earnings per share from continuing operations	(0.08)	(1.33)	1.27	(0.87)	0.97	(1.15)
Basic and diluted (loss) earnings per share from discontinued operations	-	-	-	-	(0.11)	0.02
Basic and diluted (loss) earnings per ADS (3)**:**						
Basic and diluted (loss) earnings per ADS from continuing operations	(1.67)	(26.60)	25.40	(17.40)	19.40	(23.00)
Basic and diluted (loss) earnings per ADS from discontinued operations	-	-	-	-	(2.20)	0.40

(*) Certain amounts of the presented financial data for comparative purposes (2013 and 2012) have been reclassified (with regard to the financial statements as of such dates) following the disclosure criteria used for the financial statements as of December 31, 2016, mainly due to discontinued operations.

(1) Revenue from operations is recognized on an accrual basis and derives mainly from electricity distribution. Such revenue includes electricity supplied, whether billed or unbilled, at the end of each year, and has been valued on the basis of applicable tariffs and the charges determined by the Resolution No. 347/12.

(2) Net of interest capitalized at December 31, 2016, 2015, 2014, 2013 and 2012 for Ps. 189.7 million, Ps. 255.9 million, Ps. 123.9 million, Ps. 24.5 million and Ps. 25.4 million, respectively.

(3) Each ADS represents 20 Class B common shares.

Statement of financial position

	2016	2016	2015	2014	2013	2012
	US$	Ps.	Ps.	Ps.	Ps.	Ps.
ASSETS						
Non-current assets						
Property, plant and equipment	704.7	11,197.0	8,885.8	6,652.5	5,189.3	4,344.6
Intangible assets	-	-	-	-	-	845.8
Interest in joint ventures	0.0	0.4	0.4	0.4	0.4	0.4
Deferred tax asset	64.1	1,019.0	50.0	87.2	-	-
Other receivables	3.2	50.5	153.8	249.2	199.4	195.0
Trade receivables	-	-	-	-	-	2.0
Financial assets at amortized cost	2.8	44.4	-	-	-	-
Financial assets at fair value through profit or loss	-	-	23.6	-	-	-
Total non-current assets	**774.8**	**12,311.4**	**9,113.6**	**6,989.3**	**5,389.1**	**5,387.8**
Current assets						
Assets under construction	-	-	-	-	-	84.5
Inventories	18.1	287.8	134.9	74.0	83.9	85.0
Other receivables	11.3	179.3	1,079.8	250.3	522.1	127.2
Trade receivables	245.5	3,901.1	963.0	882.9	803.1	889.4
Financial assets at fair value through profit or loss	125.5	1,993.9	1,560.4	254.4	216.4	3.4
Financial assets at amortized cost	0.1	1.5	-	-	-	-
Derivative financial instruments	-	-	0.2	-	-	-
Cash and cash equivalents	16.3	258.6	129.0	179.1	243.5	71.1
Total current assets	**416.8**	**6,622.2**	**3,867.3**	**1,640.7**	**1,869.0**	**1,260.6**
Assets of disposal group classified as held for sale	-	-	-	-	-	223.4
TOTAL ASSETS	**1,191.5**	**18,933.5**	**12,980.9**	**8,630.0**	**7,258.1**	**6,871.8**
EQUITY						
Capital and reserves attributable to the owners						
Share capital	56.5	897.0	897.0	897.0	897.0	897.0
Adjustment to share capital	25.0	397.7	397.7	397.7	397.7	397.7
Additional paid-in capital	0.2	3.5	3.5	3.5	3.5	3.5
Treasury stock	0.6	9.4	9.4	9.4	9.4	9.4
Adjustment to treasury stock	0.7	10.3	10.3	10.3	10.3	10.3
Legal reserve	4.6	73.3	-	-	-	-
Opcional reserve	11.1	176.1	-	-	-	-
Other reserve	1.3	20.3	-	-	-	-
Other comprehensive (loss) income	(2.3)	(37.2)	(42.3)	(39.9)	(28.3)	(14.6)
Accumulated deficit	(74.8)	(1,188.6)	249.4	(893.0)	(113.3)	(885.1)
Equity attributable to the owners	**22.8**	**361.8**	**1,525.0**	**385.0**	**1,176.3**	**418.2**
Non-controlling interest	-	-	-	-	-	71.1
TOTAL EQUITY	**22.8**	**361.8**	**1,525.0**	**385.0**	**1,176.3**	**489.3**
LIABILITIES						
Non-current liabilities						
Trade payables	14.7	232.9	225.0	231.1	220.8	155.3
Other payables (1)	321.2	5,103.3	2,391.9	1,644.6	944.7	1,894.8
Borrowings	174.3	2,769.6	2,461.0	1,598.4	1,309.9	1,350.7
Deferred revenue	12.6	200.0	153.8	109.1	33.7	264.4
Salaries and social security taxes payable	5.9	94.3	80.0	62.9	26.0	17.5
Benefit plans	16.7	266.1	204.4	150.4	102.7	97.4
Deferred tax liability	-	-	-	-	73.4	230.4
Tax liabilities	0.0	0.7	1.9	3.2	4.4	10.0
Provisions	21.5	341.4	259.6	112.1	83.1	80.0
Total non-current liabilities	**566.9**	**9,008.3**	**5,777.6**	**3,911.8**	**2,798.7**	**4,100.5**
Current liabilities						
Trade payables	429.3	6,821.1	4,475.4	3,299.6	2,481.2	1,208.5
Other payables (1)	8.5	134.8	151.7	187.1	147.2	150.4
Borrowings	3.4	53.7	48.8	34.0	40.6	103.1
Derivative financial instruments	-	-	-	5.9	-	-
Deferred revenue	0.0	0.8	0.8	0.8	-	-
Salaries and social security taxes payable	65.0	1,032.2	733.1	610.6	420.9	383.6
Benefit plans	2.1	33.4	28.3	10.6	-	15.0
Tax payable	9.8	155.2	16.3	-	-	-
Tax liabilities	78.3	1,244.5	153.4	160.5	182.5	253.6
Provisions	5.5	87.9	70.5	24.1	10.7	10.5
Total current liabilities	**601.9**	**9,563.4**	**5,678.3**	**4,333.2**	**3,283.1**	**2,124.7**
Liabilities of disposal group classified as held for sale	-	-	-	-	-	157.3
TOTAL LIABILITIES	**1,168.8**	**18,571.7**	**11,455.9**	**8,245.0**	**6,081.8**	**6,382.5**
TOTAL LIABILITIES AND EQUITY	**1,191.5**	**18,933.5**	**12,980.9**	**8,630.0**	**7,258.1**	**6,871.8**

(1) Includes the amounts collected through the Program for the Rational Use of Electricity Power (PUREE). As of December, 31, 2014 and 2013 net of Ps. 2,235.1 million and Ps. 1,661.1 million, respectively, compensated pursuant to Resolution No. 250/2013 and Notes 6852/2013, 4012/14, 486/14 and 1136/14, which as of December 31, 2014, 2013 and 2012 amounted to Ps. 17.5 million, Ps. 108.6 million and Ps. 1,352 million, respectively, included under current and non-current liabilities. Edenor is permitted to retain funds from the PUREE that it would otherwise be required to transfer to CAMMESA according to Resolution No. 1,037/07 of the SE. Since the issuance of Resolution No. 32/15, the PUREE funds are considered part of Edenor's income on account of the future RTI.

Statement of Cash flows

	2016	2016	2015 *(restated)*	2014 *(restated)*	2013	2012
	US$	Ps.	Ps.	Ps.	Ps.	Ps.
Cash flows from operating activities						
(Loss) Profit for the year	(74,8)	(1.188,6)	1.142,4	(779,7)	772,7	(1.013,4)
Adjustments to reconcile net (loss) profit to net cash flows provided by operating activities:						
Depreciation of property, plant and equipment	22,1	351,6	281,4	237,6	212,1	192,6
Loss on disposals of property, plant and equipment	2,5	40,5	3,5	1,0	1,2	1,8
Net accrued interest	78,3	1.244,9	333,7	341,0	196,6	182,6
Exchange differences	26,3	417,7	894,8	427,9	365,8	192,9
Income tax	(46,8)	(743,1)	183,7	(154,4)	(44,1)	(116,7)
Allowance for the impairment of trade and other receivables, net of recovery	14,3	227,7	24,1	19,7	33,7	54,4
Adjustment to present value of receivables	(0,2)	(2,9)	(5,4)	(8,1)	(2,4)	2,2
Provision for contingencies	9,5	151,0	226,4	75,4	36,0	24,8
Other expenses - FOCEDE	0,9	14,7	59,6	97,7	-	-
Changes in fair value of financial assets	(25,4)	(404,2)	(323,6)	(67,6)	(16,1)	(39,1)
Accrual of benefit plans	6,6	105,4	89,3	51,4	22,5	20,4
Higher costs recognition - SE Resolution 250/13 and subsequents Notes	(5,1)	(81,5)	(551,5)	(2.271,9)	(2.933,1)	-
Income recognition on account of the RTI - SE Resolution 32/15	(26,4)	(419,7)	(495,5)	-	-	-
Recognition of income – provisional remedies – MEyM Note 2016-04484723	(70,8)	(1.125,6)	-	-	-	-
Net gain from the repurchase of Corporate Bonds	-	-	-	(44,4)	(88,9)	-
Income from non-reimbursable customer contributions	-	(0,8)	(0,8)	-	-	-
Other reserve constitution - Share bases compensation plan	1,3	20,3	-	-	-	-
Discontinued operations	-	-	-	-	168,6	287,8
Changes in operating assets and liabilities:						
(Increase) in trade receivables	(187,2)	(2.973,8)	(40,6)	(55,3)	(48,5)	(306,0)
Decrease in other receivables	66,9	1.063,5	375,6	(134,7)	(111,7)	(15,6)
(Increase) in inventories	(9,6)	(152,9)	(60,9)	9,9	(42,7)	(18,3)
Increase in deferred revenue	3,0	46,9	45,5	76,2	(0,7)	16,9
Increase in trade payables (1)	175,0	2.780,9	911,7	2.446,5	2.144,5	503,4
Increase in salaries and social security payable	19,7	313,3	139,7	226,7	95,3	88,8
Decrease in benefit plans	(1,9)	(30,8)	(21,2)	(11,0)	(7,9)	(4,0)
Increase (Decrease) in tax liabilities	62,3	990,2	(141,0)	(28,7)	(44,9)	43,4
Increase (Decrease) in other payables	147,2	2.338,4	(62,1)	262,3	262,0	40,9
Funds obtained from the program for the rational use of electric power (PUREE) (SE Resolution No. 1037/07)	-	-	25,6	482,9	491,9	410,7
Decrease in provisions	(3,3)	(51,8)	(32,6)	(33,0)	(25,3)	(12,1)
Net cash flows provided by operating activities	**184,5**	**2.931,3**	**3.001,9**	**1.167,4**	**1.436,6**	**538,4**
Cash flows from investing activities						
Payment of property, plant and equipment	(155,7)	(2.474,6)	(2.095,5)	(1.400,1)	(892,4)	(537,9)
Net (payment for) collection of purchase / sale of financial assets at fair value	5,6	89,1	(1.012,0)	(64,6)	(97,4)	37,8
Loans granted	-	-	-	-	-	(0,5)
Collection of financial receivables with related companies	-	-	-	-	2,1	142,4
Collection of receivables from sale of subsidiaries	0,8	12,0	4,3	3,0	2,9	-
Discontinued operations	-	-	-	-	(124,2)	(232,1)
Net cash flows used in investing activities	**(149,4)**	**(2.373,5)**	**(3.103,2)**	**(1.461,7)**	**(1.109,0)**	**(590,3)**

(1) Includes the increase in account payable with CAMMESA. As of December, 31, 2015, 2014, 2013 and 2012, amounted to Ps. 251.0, Ps. 2,974.9, Ps. 2,231.5 and Ps.295.7, respectively. See “Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Sources and uses of Funds”.

Statement of Cash flows (continued)

	2016	2016	2015 *(restated)*	2014 *(restated)*	2013	2012
	US$	Ps.	Ps.	Ps.	Ps.	Ps.
Cash flows from financing activities						
Loans taken	-	-	-	-	-	0,8
Repayment of principal on loans	-		-	(0,4)	(25,5)	(36,5)
Payment of interest on loans	(16,7)	(266,0)	(172,9)	(155,3)	(177,0)	(128,9)
Proceeds from PP&E mutuum				100,0		
Proceeds from Salaries mutuum	-	-	214,9	280,6	-	-
Repurchase of corporate notes	(0,3)	(4,9)	-	-	-	-
Payment of redemption on corporate notes	(14,0)	(221,8)	-	-	-	-
Discontinued operations	-	-	-	-	25,4	136,8
Net cash flows (used in) provided by financing activities	**(31,0)**	**(492,7)**	**42,0**	**224,9**	**(177,1)**	**(27,8)**
Net increase (decrease) in cash and cash equivalents	**4,1**	**65,1**	**(59,3)**	**(69,4)**	**150,5**	**(79,7)**
Cash and cash equivalents at beginning of year	8,1	129,0	179,1	243,5	71,1	130,5
Cash and cash equivalents at beginning of year included in assets of disposal group classified as held for sale	-	-	-	-	11,2	28,3
Exchange differences in cash and cash equivalents	4,1	64,5	9,1	5,1	10,7	3,2
Increase (Decrease) in cash and cash equivalents	4,1	65,1	(59,2)	(69,5)	150,5	(79,7)
Cash and cash equivalents at the end of year	**16,3**	**258,6**	**129,0**	**179,1**	**243,5**	**82,3**
Cash and cash equivalents at the end of the year in the statement of financial position	16,3	258,6	129,0	179,1	243,5	71,1
Cash and cash equivalents at the end of the year included in assets of disposal group classified as held for sale	-	-	-	-	-	11,2
Cash and cash equivalents at the end of the year	**16,3**	**258,6**	**129,0**	**179,1**	**243,5**	**82,3**
Supplemental cash flows information						
Non-cash operating, investing and financing activities						
Financial costs capitalized in property, plant and equipment	(11,9)	(189,7)	(255,9)	(123,9)	(24,5)	(6,4)
Acquisitions of property, plant and equipment through increased trade payables	(12,9)	(205,8)	(166,8)	(144,8)	(126,4)	-
(Decrease) from offsetting of PUREE-related liability against receivables (SE Resolution 250/13, subsequent Notes and SE Resolution 32/15)	-	-	10,6	(574,0)	(1.661,1)	-
Increase from offsetting of liability with CAMMESA for electricity purchases against receivables (SE Resolution 250/13, subsequent Notes and SE Resolution 32/15)	-	-	158,1	(2.218,4)	(1.152,3)	-
Decrease from offset of other liabilities with CAMMESA for loans for consumption (Mutuums) granted for higher salary costs (SE Resolution 32/15)	-	-	(495,5)	-	-	-
Amounts received from CAMMESA through FOCEDE	-	-	723,6	100,0	-	-
Decrease in financial assets at fair value from repurchase of Corporate Notes	-	-	-	91,6	165,1	-
Increase in financial assets at fair value from subsidiary sale	-	-	-	-	(334,3)	-
Decrease of other receivables for collection of corporate notes with related companies	-	-	-	-	52,8	-
Net increase of trade receivables from assets of disposal group classified as held for sale	-	-	-	-	(44,6)	-
Acquisitions of property, plant and equipment through increased debt FOTAE	-	-	-	(32,9)	(49,0)	-

	Year ended December 31,				
	2016	2015	2014	2013	2012
Operating data					
Energy sales (in GWh):	22,275	22,402	21,312	21,674	20,760
Residential	9,708	9,671	9,114	9,114	8,662
Small Commercial	1,819	1,878	1,714	1,780	1,688
Medium Commercial	1,820	1,828	1,712	1,828	1,717
Industrial	3,677	3,680	3,431	3,458	3,335
Wheeling System[1]	4,014	4,200	4,213	4,374	4,261
Public Lighting	704	688	678	683	668
Shantytowns	511	435	430	417	409
Others [2]	22	21	20	20	20
Customers (in thousands) [3]	2,867	2,835	2,800	2,773	2,726
Energy Losses (%)	17.00%	14.90%	13.82%	13.00%	13.30%
MWh sold per employee	4,748	4,770	4,941	6,083	6,999
Customers per employee	611	604	649	778	919

(1) Wheeling system charges represent our tariffs for large users, which consist of a fixed charge for recognized technical losses and a charge for our distribution margins but exclude charges for electric power purchases, which are undertaken directly between generators and large users.
(2) Represents energy consumed internally by us and our facilities.
(3) We define a customer as one meter. We may supply more than one consumer through a single meter. In particular, because we measure our energy sales to each shantytown collectively using a single meter, each shantytown is counted as a single customer.

EXCHANGE RATES

From April 1, 1991 until the end of 2001, Law No. 23,928 (the "Convertibility Law") established a fixed exchange rate under which the Central Bank of Argentina (*Banco Central de la República Argentina*, the "Central Bank") was obliged to sell U.S. Dollars at a fixed rate of one Peso per U.S. Dollar (the "Convertibility Regime"). On January 6, 2002, the Argentine Congress enacted the Public Emergency Law No. 25,561 (the "Public Emergency Law"), formally putting an end to the Convertibility Regime and abandoning over ten years of U.S. Dollar-Peso parity. The Public Emergency Law grants the Executive Branch of the Argentine government the power to set the exchange rate between the Peso and foreign currencies and to issue regulations related to the foreign exchange market. The Public Emergency law has been extended until December 31, 2017. For a brief period following the end of the Convertibility Regime, the Public Emergency Law established a temporary dual exchange rate system. Since February 2002, the Peso has been allowed to float freely against other currencies, although the government has the power to intervene by buying and selling foreign currency for its own account, a practice in which it may engage on a regular basis.

After several years of moderate variations in the nominal exchange rate, the Peso lost more than 30% of its value with respect to the U.S. Dollar in each of 2013 and 2014, and in 2015, the Peso lost approximately 52% of its value with respect to the U.S. Dollar, including a depreciation of approximately 36% mainly experienced after December 17, 2015 following the announcement of the lifting of a significant portion of exchange restrictions (See "—Risk Factors—Factors Relating to Argentina—Fluctuations in the value of the Peso could adversely affect the Argentine economy and, in turn, adversely affect our results of operations"). This was followed by a devaluation of the Peso with respect to the U.S. Dollar of approximately 20% from January 1, 2016 through February 29, 2016. From March 1, 2016, through December 31, 2016, the Peso lost approximately 0.6% with respect to the U.S. Dollar.

There can be no assurance that the Argentine Peso will not depreciate or appreciate again in the future.

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

	Low	High	Average	Period End
		(Pesos per U.S. Dollar)		
Year ended December 31,				
2012	4.30	4.92	4.55[(1)]	4.92
2013	4.93	6.52	5.48[(1)]	6.52
2014	6.54	8.56	8.23[(1)]	8.55
2015	8.56	13.40	9.51[(1)]	13.04
2016	13.20	16.03	14.79[(1)]	15.89
Month				
November-2016	14.92[(2)]	15.87[(2)]	15.36	15.87
December-2016	15.50[(2)]	16.03[(2)]	15.84	15.89
January-2017	15.81[(2)]	16.08[(2)]	15.91	15.90
February-2017	15.36[(2)]	15.80[(2)]	15.59	15.48
March-2017	15.39[(2)]	15.65[(2)]	15.52	15.39
April-2017[(3)]	15.19[(2)]	15.49[(2)]	15.33	15.49

Source : Banco Nación

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

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

(3) Represents the corresponding exchange rates from April 1 through April 21, 2017.

RISK FACTORS

Risks Related to Argentina

Overview

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

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

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

The Argentine economy has experienced significant volatility in recent decades, characterized by periods of low or negative growth, high levels of inflation and currency devaluation. Sustainable economic growth in Argentina is dependent on a variety of factors, including the international demand for Argentine exports, the stability and competitiveness of the Peso against foreign currencies, 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:

- according to the revised calculation of 2004 gross domestic product ("GDP") published by the *Instituto Nacional de Estadística y Censos* (National Statistics and Census Institute or the "INDEC") on June 29, 2016, which forms the basis for the real GDP calculation for every year after 2004, and recent data published by the INDEC in 2017, for the year ended December 31, 2016, Argentina's real GDP decreased by 2.1% compared to the same period in 2015. Argentina's performance has depended to a significant extent on high commodity prices which, despite having favorable long-term trends, are volatile in the short-term and beyond the control of the Argentine government and the private sector;

- Argentina's public debt as a percentage of GDP remains high, and the availability of long-term credit and international financing remains limited;

- continued increases in public expenditures have resulted and could continue to result in fiscal deficits and affect economic growth;

- inflation remains high and may continue at those levels in the future;

- investment as a percentage of GDP remains low to sustain the growth rate of the past decade;

- a significant number of protests or strikes could take place, as has occurred in the past, which could adversely affect various sectors of the Argentine economy;

- energy or natural gas supply may not be sufficient to supply increased industrial activity (thereby limiting industrial development) and consumption;

- unemployment and informal employment remain high; and

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

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

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

Since taking office on December 10, 2015, the Macri administration has announced and implemented several significant economic and policy reforms, including:

- Electricity system state of emergency and reforms. The Macri administration declared the state of emergency of the national electricity system that will remain in effect until December 31, 2017. The state of emergency allows the Argentine government to take actions designed to guarantee the supply of electricity. In addition, following the Macri administration's announcement that it would reexamine energy subsidy policies, the ME&M increased electricity rates for the wholesale market for purchases made between February 1 through April 30, 2016. This increase was used to reduce subsidies to the sector. On January 29, 2016, the ENRE, through Resolution No. 1/16 approved a new tariff structure which became effective on February 1, 2016, and introduced different prices depending on the categories of customers. Such resolution also contemplated a social tariff applicable to residential customers who comply with certain consumption requirements, which included a full exemption for monthly consumptions equal to or below 150 Kwh and other tariff benefits for customers who exceed such consumption levels but achieve a monthly consumption lower than that of the same period in the immediately preceding year. On the same date, through Resolution No. 2/2016, the ENRE partially repealed Resolution No. 347/2012, discontinuing the FOCEDE (as defined below) and ordered us to open a special bank account with a Central Bank authorized entity where the funds received pursuant to Resolution No. 347/2012 were be deposited through February 2016. By correcting tariffs, reducing subsidies and modifying the regulatory framework, the Macri administration aimed at correcting distortions in the energy sector and stimulating investment. Following the tariff increases, preliminary injunctions were requested by customers, and non-governmental organizations that defend customers' rights, some of which were granted by Argentine courts. Among others, two separate orders led to the suspension of end-user electricity tariff increases in the Province of Buenos Aires and in the entire territory of Argentina. However, on September 6, 2016, the Argentine Supreme Court reversed the injunctions that had suspended end-user electricity tariff increases on the basis of formal objections and procedural defects and, therefore, as of the date of this annual report, increases to end-user electricity tariffs are no longer suspended. On September 12, 2016, pursuant to an Argentine Supreme Court decision, a public hearing conducted by the ME&M was held in relation to the approval of a new gas tariff schedule. In October 2016, such new gas tariff schedule was approved by the Macri administration establishing increases in tariffs ranging between 300% and 500%. On October 28, 2016, a non-binding public hearing was conducted by the ME&M and the ENRE to discuss tariff proposals submitted by distribution companies covering the greater Buenos Aires area (with approximately 15 million inhabitants), including us, for the 2017-2021 period within the

framework of the RTI. On February 1, 2017, the ENRE enacted several resolutions which, among other policy changes, implemented a reduction of electricity tariff subsidies, and an increase in electricity tariffs for their residential customers. Such increases ranged between 61% and 148%, according to the amount of electricity consumption. See "Item 5—Operating and Financial Review and Prospects—Integral Tariff Revision."

- INDEC reforms. In light of questions raised by the International Monetary Fund ("IMF") regarding the reliability of the information produced by the INDEC, the Macri administration appointed Mr. Jorge Todesca, previously a director of a private consulting firm, as head of the INDEC. The INDEC has implemented certain methodological reforms and adjusted certain macroeconomic statistics on the basis of such reforms. On January 8, 2016, Decree No. 55/2016 was issued by the Argentine government declaring a state of administrative emergency on the national statistical system and on the official agency in charge of the system, the INDEC, which remained in effect until December 31, 2016. Following the emergency declaration, the INDEC ceased publishing statistical data until a rearrangement of its technical and administrative structure was finalized. During the implementation of these reforms, however, the INDEC used official consumer price index ("CPI") figures and other statistics published by the Province of San Luis and the City of Buenos Aires. As of the date of this annual report, the INDEC has published certain revised data, including the CPI monthly data since May 2016 and foreign trade and balance of payment statistics. On June 29, 2016, the INDEC published a report including revised GDP data for the years 2004 through 2015. On September 22, 2016, the INDEC resumed publication of its essential goods and services basket assessment. On November 9, 2016, the IMF Executive Board lifted its censure on the Republic of Argentina, noting that the Republic of Argentina had resumed the publication of data in a manner consistent with its obligations under the Articles of Agreement of the IMF. Despite these reforms, there is uncertainty as to what effect such reforms and revised data will have on the Argentine economy and public accounts.

- Foreign exchange reforms. In addition, the Macri administration implemented certain reforms to the foreign exchange market regulatory framework that provided greater flexibility and easier access to the foreign exchange market. The principal measures adopted as of the date of this annual report included (i) the elimination of the requirement to register foreign exchange transactions in the Argentine Tax Authority's ("AFIP") database, (ii) the elimination of the requirement to transfer the proceeds of new financial indebtedness transactions into Argentina and settle such proceeds through the single and free-floating foreign exchange market (the "MULC"), (iii) a decrease from 30% to 0% of the registered, non-transferable and non-interest-bearing deposit required in connection with certain transactions involving foreign currency inflows, and (iv) the elimination of the requirement of a minimum holding period (72 business hours) for purchases and subsequent sales of the securities. In addition, on December 17, 2015, following the announcement of the lifting of a significant portion of exchange restrictions, the Peso depreciated approximately 36% against the U.S. Dollar. The exchange rate published by Banco Nación as of April 21, 2017 was Ps. 15.49 to U.S.$1.00.

- Foreign trade reforms. The Macri administration eliminated export duties on wheat, corn, beef and regional products, and reduced the export duty on soybeans by 5%, to 30%. Further, the 5% export duty on most industrial exports and export duties on mining exports, were eliminated. With respect to payments of existing debts for imports of goods and services, the Macri administration eliminated most of the restrictions on access to the MULC and eliminated the amount for any new transactions. In addition, importers were offered short-term debt securities issued by Argentina to be used to repay outstanding commercial debt for the import of goods.

- Financial Policy. Since taking office, the Macri administration reached agreements to settle outstanding claims with a large majority of holdout creditors. 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, affect our business, results of operations and prospects for growth."

As of the date of this annual report, the impact that these measures and any future measures to be taken by the Macri administration will have on the Argentine economy as a whole, and the electricity sector in particular, cannot be fully anticipated. While we believe that the effect of the planned liberalization of the economy will be positive for our business by stimulating economic activity, it is not possible to predict such effect with certainty and such liberalization could also be disruptive to the

economy and fail to benefit or harm our business. Since assuming office, the Macri administration reformed energy and gas sector tariffs. In addition, as of the date of this annual report, political parties opposed to the Macri administration retain a majority of the seats in the Argentine Congress, which requires the Macri administration to seek political support from the opposition for its economic proposals and creates further uncertainty as to the ability of the Macri administration to pass any measure which it may expect to implement. In addition, legislative elections will be held in October 2017. We cannot assure you the impact that these measures or any future measures taken by the Macri administration will have on the Argentine economy, would not have an adverse effect on our business, financial condition or results of operations or would not have a negative impact on the market value of our ADSs and Class B common shares**.**

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

Inflation has, in the past, materially undermined the Argentine economy and the Argentine government's ability to create conditions that allow 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 INDEC, CPI inflation rates for July, August, September, October, November and December 2016, and January, February and March 2017 were 2.0%, 0.2%, 1.1%, 2.4%, 1.6%, 1.2%, 1.3%, 2.5% and 2.4%, respectively. The wholesale price index ("WPI") increased by 34.5% in 2016. See "—The credibility of several Argentine economic indexes was called into question, which may lead to a lack of confidence in the Argentine economy and, in turn, limit our ability to access credit and the capital markets" below. The previous administration has in the past implemented programs to control inflation and monitor prices for essential goods and services, including by freezing the prices of supermarket products, and by executing price support arrangements with private sector companies in several industries and markets.

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

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

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

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

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

On January 8, 2016, based on its determination that the INDEC had failed to produce reliable statistical information, particularly with respect to CPI, GDP and foreign trade data, as well as with poverty and unemployment rates, the Macri administration declared a state of administrative emergency for the national statistical system and the INDEC that remained in effect through December 31, 2016. The INDEC suspended the publication of certain statistical data until a reorganization of its technical and administrative structure to recover its ability to produce reliable statistical information was finalized in June 2016. During the suspension period, the INDEC published CPI figures published by the City of Buenos Aires and the Province of San Luis for reference.

In June 2016, the INDEC began publishing an official inflation rate using a new methodology for calculating the consumer price index. The official CPI inflation rate for the period from May to December 2016 was 16.95%. The CPI inflation rates for July, August, September, October, November, December 2016, and January, February and March 2017 were 2.0%, 0.2%, 1.1%, 2.4%, 1.6%, 1.2%, 1.3%, 2.5% and 2.4%, respectively. The WPI increased by 34.5% in 2016.

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

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

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

In 2005 and 2010, Argentina conducted exchange offers to restructure part of its sovereign debt that had been in default since the end of 2001. As a result of these exchange offers, Argentina restructured over 92% of its eligible defaulted debt. In April 2016, the Argentine government settled U.S.$4.2 billion outstanding principal amount of debt held by creditors who had not participated in the 2015 and 2010 restructurings.

As of the date of this annual report, litigation initiated by bondholders that have not accepted Argentina's settlement offer continues in several jurisdictions, although the size of the claims involved has decreased significantly. Although the vacatur of the *pari passu* injunctions removed a material obstacle to access to capital markets by the Argentine government, future transactions may be affected as litigation with holdout bondholders continues, which in turn could affect the Argentine government's ability to access international credit markets, and thus could have a material adverse effect on the Argentine economy and, in turn, on our business, results of operations and prospects for growth.

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

Fluctuations in the value of the Peso may also adversely affect the Argentine economy, our financial condition and results of operations. The devaluation of the Peso may have a negative impact on the ability of certain Argentine businesses to service their foreign currency-denominated debt, lead to very high inflation, significantly reduce real wages, jeopardize the stability of businesses whose success depends on domestic market demand including public utilities and the financial industry and adversely affect the Argentine government's ability to honor its foreign debt obligations. After several years of moderate variations in the nominal exchange rate, the Peso lost more than 30% of its value with respect to the US Dollar in each of 2013 and 2014, and in 2015, the Peso lost approximately 52% of its value with respect to the U.S. Dollar, including a depreciation of approximately 34% mainly experienced after December 17, 2015 following the announcement of the lifting of a significant portion of foreign exchange restrictions. Since the devaluation in December 2015, the Central Bank has allowed the Peso to float and limited interventions to those needed to ensure the orderly functioning of the foreign exchange market. As of December 31, 2016, the exchange rate was Ps. 15.89 to U.S.$1.00 and the depreciation of the Peso with respect to the U.S. Dollar reached approximately 20% during 2016. We are unable to predict the future value of the Peso against the U.S. Dollar. If the Peso devalues further, the negative effects on the

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

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

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

In December 2008, Law No. 26,425, was passed by the Argentine Congress unifying the Argentine pension and retirement system into a system publicly administered by the Administración Nacional de la Seguridad Social (the National Social Security Agency, or the "ANSES"), and eliminating the pension and retirement system previously administered by private managers. In accordance with the new law, private pension managers transferred all of the assets administered by them under the pension and retirement system to the ANSES. 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.

As of the date of this annual report, ANSES owns shares representing 26.8% of our capital stock, and also owns shares of capital stock of our affiliates, Pampa Energía and Transener.

Beginning in April 2012, the Fernández de Kirchner administration provided for the nationalization of YPF and imposed major changes to the legal framework in which oil companies operate, principally through the enactment of Law No. 26,741 and Decree No. 1,277/2012. Additionally, in December 2012, the Fernández de Kirchner administration issued Decree No. 2,552/2012, pursuant to which it ordered the expropriation of the Predio Rural de Palermo. However, in January 2013, the Federal Civil and Commercial Chamber granted an injunction that has temporarily blocked the enforcement of Decree No. 2,552/2012. Although the decision was appealed by the Argentine government, the Supreme Court of Justice rejected such appeal and confirmed the Federal Civil and Commercial Chamber's injunction subject to a decision on the merits.

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

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

During 2001 and the first half of 2002, Argentina experienced a mass withdrawal of deposits from the financial system as a result of a lack of confidence in the Argentine government's ability to repay its debt and sustain the parity between the Peso and the U.S. Dollar. This caused a liquidity crisis in the Argentine financial system, which led the Argentine government to impose exchange controls and transfer restrictions, substantially limiting the ability of companies to retain foreign currency or make payments abroad. After 2002, these restrictions, including those requiring the Central Bank's prior authorization for the transfer of funds abroad to pay principal and interest on debt obligations, were substantially eased through 2007. In addition to the foreign exchange restrictions applicable to outflows, in June 2005 the Argentine government adopted various rules and regulations that established new restrictive controls on capital inflows into Argentina, including a requirement that, for certain funds

remitted into Argentina, an amount equal to 30% of the funds must be deposited into an account with a local financial institution as a U.S. Dollar deposit for a one-year period without any accrual of interest, benefit or other use as collateral for any transaction.

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

Additionally, the level of international reserves deposited with the Central Bank significantly decreased from U.S.$ 47.4 billion as of November 1, 2011 to U.S.$ 25.6 billion as of December 31, 2015, resulting in a reduced capacity of the Argentine government to intervene in the foreign exchange market and to provide access to such markets to private sector entities like us. The Macri administration has aimed at increasing the level of international reserves deposited with the Central Bank through the execution of different measures. As a result of the measures adopted, the international reserves increased to over U.S.$ 40.0 billion as of December 31, 2016.

Notwithstanding the measures recently adopted by the Macri administration, in the future the Argentine government could impose exchange controls, transfer restrictions or restrictions on the movement of capital or take other measures in response to capital flight or a significant depreciation of the Peso, which could limit our ability to access the international capital markets and impair our ability to make interest, principal or dividend payments abroad. Such measures could lead to renewed political and social tensions and undermine the Argentine government's public finances, which could adversely affect Argentina's economy and prospects for economic growth and, consequently, adversely affect our business and results of operations and cause the market value of our ADSs and Class B common shares to decline. As of the date of this annual report, however, the transfer of funds abroad to pay dividends is permitted to the extent such dividend payments are made in connection with audited financial statements approved by a shareholders' meeting of the Company.

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

Law No. 26,854, which regulates injunctions in cases in which the Argentine government is a party or has intervened, was promulgated on April 30, 2013 as part of a judicial reform bill approved by the Argentine Congress. Among the principal changes implemented pursuant to the judicial reform bill is a time limitation on injunctions imposed in proceedings brought against the Argentine government and the creation of three new chambers of Casación, each of which must hear an appeal before the matter is considered by the Supreme Court of Justice of Argentina. In addition, Law No. 26,855, which became effective on May 27, 2013, modified the structure and functions of the Argentine Consejo de la Magistratura (judicial council), which has the authority to appoint judges, present charges against them and suspend or remove them. As of the date of this annual report several aspects of this legislation have been struck down as unconstitutional by the Argentine Supreme Court.

On August 7, 2014, Law No. 26,944 on State Responsibility was enacted to regulate government actions. Said law governs the responsibility of the Argentine government regarding the damages that its activity or inactivity may cause to individuals' properties or rights. Such law establishes that the Argentine government's responsibility is objective and direct, that the provisions of the civil and commercial codes are not applicable to the actions of the Argentine government in a direct nor subsidiary manner and that dissuasive financial penalties may be imposed on the Argentine government, its agents or officers.

On September 18, 2014, the Argentine Congress enacted Law No. 26,991 amending Law No. 20,680 (the "Supply Law"), which became effective on September 28, 2014, to increase control over the

supply of goods and provision of services. Such initiative includes the ability of the Argentine government to regulate consumer rights under Article 42 of the Constitution and permits the creation of an authority to maintain the prices of goods and services (the "Observer of Prices of Goods and Services"). The Supply Law, as amended: (i) requires the continued production of goods to meet basic requirements; (ii) creates an obligation to publish prices of goods and services produced and borrowed; (iii) allows financial information to be requested and seized; and (iv) increases fines for judicial and fiscal persons. The reforms and creation of the Observer of Prices of Goods and Services could adversely affect our operations. An initiative to regulate questions of consumer rights was also approved, creating the Conciliación Previa en las Relaciones de Consumo (Prior Conciliatory Procedures For Consumer Relations, or the "COPREC"), where users and consumers may present claims free of charge and have them resolved within 30 days.

The Supply Law applies to all economic processes linked to goods, facilities and services which, either directly or indirectly, satisfy basic consumer needs ("Basic Needs Goods") and grants a broad range of powers to its enforcing agency. It also grants the enforcing agency the power to order the sale, production, distribution or delivery of Basic Needs Goods throughout the country in case of a shortage of supply.

On October 1, 2014, the Argentine Congress approved the reform, update and unification of the National Civil and Commercial codes. A single new National Civil and Commercial Code became effective on August 1, 2015.

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

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

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

The effect of the economic crisis on our customers and on us cannot be predicted. Weak global and local economic conditions could lead to reduced demand or lower prices for energy, which could have a negative effect on our revenues. Economic factors such as unemployment, inflation and the availability of credit could also have a material adverse effect on demand for energy and, therefore, on our financial condition and operating results. 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. See "—The Argentine economy could be adversely affected by economic developments in other markets and by more general "contagion" effects."

In addition, the global economic crisis that began in the fourth quarter of 2008, triggering an international stock market crash and the insolvency of major financial institutions, limited the ability of Argentine companies to access international financial markets as they had in the past or made such access significantly more costly. A similar global or regional financial crisis in the future could limit our ability to access the credit or capital markets at a time when we require financing, thereby impairing our flexibility to react to changing economic and business conditions (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, affect our business, results of operations and prospects for growth"). For these reasons, any of the foregoing factors could together or independently have an adverse effect on our results of operations and financial condition and cause the market value of our ADSs and Class B common shares to decline.

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. Argentina's economy is vulnerable to external shocks, including those related or similar to the global economic crisis that began in 2008 and the economic and financial conditions of Argentina's major trading partners, in particular, Brazil. Specifically, 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 in the past substantially affected, and may continue to substantially affect capital flows and investments in securities in other countries, including Argentina. The Argentine economy was adversely impacted by the political and economic events that occurred in several emerging economies in the 1990s, including those in Mexico in 1994, the collapse of several Asian economies between 1997 and 1998, the economic crisis in Russia in 1998 and the Brazilian devaluation of its currency in January 1999.

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

The designation of "veedores" (observers) by the CNV or other regulator could adversely affect our business, financial condition and results of operations

The Capital Markets Law No. 26,831 (the "CML") provides that the CNV may inspect any entity subject to its oversight (such as us, our controlling shareholder or any of our affiliates subject to CNV oversight). If after any inspection the CNV determines that a resolution of the board of directors of such entity violated the interests of its minority shareholders or any holder of its securities subject to the Argentine public offering regime, it may appoint a veedor (observer) with veto powers. The CNV is additionally empowered to suspend a board of directors for a period of up to 180 days, subject to limited appeals and, alternatively, a veedor may be appointed through a judicial request. Any determination by the CNV or any Argentine court that the right of our minority shareholders or holders of our securities issued in Argentina has been violated could result in the direct intervention of the CNV, including the potential suspension of our board of directors for up to 180 days, and, consequently, have an adverse effect on our business, financial condition and results of operations. In this respect, on April 21, 2014, Molinos Rio 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, for a period of six months. On November 18, 2015, the National Chamber of Appeals suspended the application of Article No. 20 until the definitive decision on the Molinos case is rendered. We cannot assure you that the CNV, or any other party, will not attempt to pursue a similar course of action with respect to us (or our controlling shareholder), which may have a negative effect on us.

Risks Relating to the Electricity Distribution Sector

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

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

To address the Argentine economic crisis in 2001 and 2002, the Argentine government adopted the Public Emergency Law and other regulations, which made a number of material changes to the regulatory framework applicable to the electricity sector. These changes severely affected electricity generation, distribution and transmission companies and included the freezing of distribution nominal margins, the revocation of adjustment and inflation indexation mechanisms for tariffs, a limitation on the ability of electricity distribution companies to pass on to the customer 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.

On December 17, 2015, the Argentine government issued Decree No. 134/15 declaring the emergency of the national electricity sector until December 31, 2017, and instructing the ME&M to adopt any measure the ME&M deems necessary regarding the generation, transmission and distribution segments, to adjust the quality, and guarantee the provision of, electricity.

On February 3, 2016, Resolution No. 22/16 of the ME&M established adjustments to the remuneration of generators to support the operation and maintenance of the generation plants until the regulatory measures currently under review by the Argentine government are enacted and the operation of the WEM is normalized.

On January 25, 2016, the ME&M issued Resolution No. 6/16, approving the seasonal WEM prices for each category of users for the period from February 2016 through April 2016. Such resolution readjusted the seasonal prices as required by the regulatory framework. On February 1, 2017, the Secretariat of Electric Energy (the "SEE") published Resolution No 20-E/2017, by means of which it approved the Summer Seasonal Schedule for the WEM corresponding to the period held between February 1 and April 30, 2017. Energy prices in the spot market were set by CAMMESA which determined the price to be charged by generators for energy sold in the spot market of the WEM on an hourly basis. The WEM prices resulted in the elimination of certain energy subsidies and a substantial increase in electricity rates for individuals. On February 3, 2016, Resolution No. 22/16 of the ME&M established adjustments to the remuneration of generators to support the operation and maintenance of generations plants until new regulatory measures are adopted by the Argentine government and the operation of the WEM is normalized. As of the date of this annual report, the Argentine government has implemented a new remuneration scheme through SEE Resolution No. 19/17, which improved margins, especially for "new energy" operators.

The ME&M, issued Resolution No. 7/2016 pursuant to which it instructed the ENRE to, among others, (i) adjust the VAD using the transitional tariff regime included in the agreement that Edenor entered into with the Argentine government in February 2006 relating to the adjustment and renegotiation of the terms of the concession (the "Adjustment Agreement"), (ii) implement a social tariff regime and a reduction of such WEM prices for certain consumers, and (iii) effect a revision of the RTI by December 31, 2016. Also, Resolution No. 7/2016 derogated the PUREE and SE Resolution No. 32/2015. On February 1, 2017, the RTI process was completed and a new tariff scheme for the following five-years period was enacted.

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

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

Distribution tariffs include a regulated margin that is intended to cover the costs of distribution and provide an adequate return over the distributor's asset base. Under the Convertibility Regime, distribution tariffs were calculated in U.S. Dollars and distribution margins were adjusted periodically to reflect variations in U.S. inflation indexes. Pursuant to the Public Emergency Law, in January 2002 the Argentine government froze all distribution margins, revoked all margin adjustment provisions in distribution concession agreements and converted distribution tariffs into Pesos at a rate of Ps. 1.00 per U.S.$ 1.00. These measures, coupled with the effect of high inflation and the devaluation of the Peso, led to a decline in distribution revenues and an increase of distribution costs in real terms, which could no

longer be passed on to users through adjustments to the distribution margin. This situation, in turn, led many public utility companies, including us and other important distribution companies, to suspend payments on their financial debt (which continued to be denominated in U.S. Dollars despite the pesification of revenues), effectively preventing these companies from obtaining further financing in the domestic or international credit markets and making additional investments.

In recent years, the Argentine government has granted temporary and partial reliefs to some distribution companies, including a limited increase in distribution margins, a temporary cost adjustment mechanism which was not fully implemented and the ability to apply certain additional charges to customers.

On February 1, 2017, the RTI process was completed. The ENRE approved a rate of return for us of 12.46% before taxes. The resulting income was determined by applying the Net Replacement Value ("NRV") methodology, over a slightly lower base capital than the one we had submitted in our proposal, reaching an amount of Ps. 34 billion. The difference with our proposal mainly lies in the fact that the ENRE excluded the fully depreciated assets from the regulatory net asset base. Moreover, the ENRE stated that our acknowledged remuneration as of December 2015 was Ps. 12.5 billion, which adjusted to February 2017 reached to Ps. 17.2 billion. The ENRE also established a non-automatic mechanism to adjust our tariffs, as it had done within the original Concession Contract and the Adjustment Agreement, in order to preserve the economic and financial sustainability of the concession in the event of price fluctuations in the economy. This mechanism has a biannual basis and includes a combined formula of wholesale and consumer price indexes (WPI, CPI and salaries increases) which trigger the adjustment of tariffs when the result is above 5%. However, we cannot guarantee you that these measures will be sufficient to address the structural problems created for us by the economic crisis and its aftermath. Our inability to cover the costs of distribution or to receive an adequate return on our asset base may further adversely affect our financial condition and results of operations.

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

From 2012 through 2016 electricity demand in Argentina increased 12.1%, which reflects the relative low cost, in real terms, of electricity to customers due to the freezing of distribution margins, the establishment of subsidies in the purchase price of energy and the elimination of the inflation adjustment provisions in distribution concessions, coupled with the devaluation of the Peso and inflation. As of the date of this annual report, the RTI process has been completed and tariffs have increased by an average of 60%, according to the category of customer as of February 2016. Although increases in electricity transmission and distribution margins, and the elimination of subsidies, which increased the cost of electricity to end users, have not had a significant negative effect on demand in the past, we cannot make any assurances that recent increases or any future increases in the cost of electricity will not have a material adverse effect on electricity demand or result in a decline in collections from customers. In this respect, we cannot assure you that any future tariff increase will not lead electricity utility companies, like us, to record lower revenues and results of operations, which may, in turn, have a material adverse effect on the market value of our ADSs.

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

In recent years, the condition of the Argentine electricity market has provided little incentive to generators and distributors to further invest in increasing their generation and distribution capacity, respectively, which would require material long-term financial commitments. Although there were new investments in generation capacity during 2016, the Argentine electricity market is still operating at near full capacity and both generators and distributors may not be able to guarantee an increased supply of electricity to their customers, which could lead to a decline in the growth of such companies. During December 2013, an increase in demand for electricity resulted in energy shortages and blackouts in Buenos Aires and other cities around Argentina. Under Argentine law, distribution companies, such as us, are responsible to their customers for any disruption in the supply of electricity. As a result, we could face customer claims and fines and penalties for service disruptions caused by energy shortages unless the relevant Argentine authorities determine that energy shortages constitute force majeure. Additionally, disruptions in the supply of electricity could expose us to intervention by the Argentine government, which warned of such possibility during the blackouts of December 2013. Such claims, fines, penalties or government intervention could have a materially adverse effect on our financial condition and results of

operations, and cause the market value of our ADSs and Class B common shares to decline. See also "— A potential nationalization or expropriation of 51% of our capital stock, represented by the Class A shares, may limit the capacity of the Class B common shares to participate in the board of directors."

Risks Relating to Our Business

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

Since the execution of the agreement entered into with the Argentine government in February 2006 relating to the adjustment and renegotiation of the terms of our concession (the "Adjustment Agreement") and as required by them, we have been engaged in an RTI with the ENRE.

The Adjustment Agreement contemplated a cost adjustment mechanism for the transitional period during which the RTI process was being conducted. This mechanism, known as the Cost Monitoring Mechanism ("CMM"), required the ENRE to review our actual distribution costs every six months (in May and November of each year) and adjust our distribution margins to reflect variations of 5% or more in our distribution cost base. We could also request that the ENRE apply the CMM at any time that the variation in our distribution cost base was at least 10% or more. Any adjustments, however, were subject to the ENRE's assessment of variations in our costs, and the ENRE's approval of adjustments were not sufficient to cover our actual incremental costs in a timely manner. In the past, even when the ENRE approved adjustments to our tariffs, there was a lag between the time when we actually experienced increases in our distribution costs and the time when we received increased income following the corresponding adjustments to our distribution margins pursuant to the CMM.

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

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

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

In addition, such resolution: (i) abrogated the PUREE; (ii) repealed Resolution No. 32/2015 as from the date the ENRE resolution implementing the new tariff schedule becomes effective; (iii) discontinued the application of mechanisms that imply the transfer of funds from CAMMESA in the form of loan agreements with CAMMESA; (iv) ordered the implementation of the actions required to terminate the trusts created pursuant to Resolution No. 347/2012 of the ENRE and (v) prohibited the distribution of dividends in accordance with Section 7.04 of the Adjustment Agreement.

Pursuant to Resolution No. 7/16, the ENRE issued Resolution No. 1/16 establishing a new tariff structure, which remained in force (with certain suspensions as a result of injunctions, which are no longer in effect) until February 2017, when the RTI process was completed. See "Risk Factors— Risks Relating to Our Business—Failure or delay to negotiate further improvements to our tariff structure, including increases in our distribution margin, and/or to have our tariffs adjusted to reflect increases in

our distribution costs in a timely manner or at all, has affected our capacity to perform our commercial obligations and could also have a material adverse effect on our capacity to perform our financial obligations."

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

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

On February 1, 2017, the ENRE issued Resolution No. 63/2017, through which it approved a new tariff scheme that established our new distribution added value (VAD) for the following five-year period. For more information, see "Item 5—Operating and Financial Review and Prospects—Integral Tariff Revision". However, if we are not able to recover all future cost increases, and/or if there is a significant lag of time between when we incur the incremental costs and when we receive increased income we may be unable to comply with our financial obligations, we may suffer liquidity shortfalls and we may need to restructure our debt to ease our financial condition, any of which, individually or in the aggregate, would have a material adverse effect on our business and results of operations and may cause the value of our ADSs to decline.

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

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

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

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

We operate in a highly regulated environment and have been, and in the future may continue to be, subject to significant fines and penalties by regulatory authorities, including for reasons outside our control, such as service disruptions attributable to problems at generation facilities or in the transmission network that result in a lack of electricity supply. Since 2001, the amount of fines and penalties imposed on our company has increased significantly. As of December 31, 2016, 2015 and 2014, our accrued fines and penalties totaled Ps. 3,700.0 million, Ps. 1,253.1 million and Ps. 1,102.8 million, respectively (taking into account adjustments made to fines and penalties following the ratification of the Adjustment Agreement and recent regulation). See "Item 4. Information on the Company—Our Business Overview—Fines and Penalties."

By means of Note No. 120,151, the ENRE established that all fines and penalties imposed by the ENRE after April 15, 2016, whether in respect of events occurring on or after such date or events occurring prior to the date thereof, but for which fines or penalties had not been imposed on us by such date, must be valued according to the VAD or KWh values in effect as of the last date of the semester or period during which the event giving rise to the penalty occurred, including any increases or adjustments applicable to our "remuneration" at such date. In addition, the Note provides that fines and penalties that fall under the purview of the Note will accrue interest as from the day on which the event giving rise to the penalty occurs, until the day in which they are paid by us.

On October 19, 2016, by means of Note No. 123,091 the ENRE established the average rate values (Ps./KWh) to be applied as from December 2012, for the penalties payable to the Argentine government. In accordance with the terms of the Concession Agreement, such values correspond to the average sale price of energy charged to customers. Since the amounts set forth in the Note are not consistent with such principle, on November 1, 2016, the Company submitted a claim to the ENRE requesting the rectification of the amounts informed as they were considered incorrect. As of the date of this annual report, we had not received an answer.

In the case that the ENRE considers that the term "remuneration" under the Note includes all the amounts received, among other things government grants, the amount of the provision for penalties could increase significantly. However, we believe that such interpretation would be opposite to the terms of the Concession Agreement.

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

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

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

Furthermore, we cannot assure that we will have the ability to comply with the new quality standards set forth by Resolution No. 63/2017. In the case of penalties which had been imposed but are still unpaid, the 30-day interest rate of the *Banco Nación* corresponding to commercial discounts applies, as from the day when the penalty was imposed through the date of payment.

Despite the issuance of Resolution No. 63/2017, the treatment to be given to the penalties and reductions are still pending to be settled.

We may incur significant fines in the future, which could have a material adverse effect on our financial condition, our results of operations and the market value of our ADSs. See "Item 4. Information on the Company—Our Business Overview—Fines and Penalties" and "Item 4. Information on the Company—Our Business Overview—Quality Standards"

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

Our concession does not allow us to pass through to our customers the cost of additional energy purchased to cover any energy losses that exceed the loss factor contemplated by our concession, which is, on average, 10%. As a result, if we experience energy losses in excess of those contemplated by our concession, we may record lower operating profits than we anticipate. Prior to the 2001 and 2002 economic crisis, we were able to reduce the high level of energy losses experienced at the time of the privatization down to the levels contemplated (and reimbursed) under our concession. However, during the last years, our level of energy losses, particularly our non-technical losses, started to grow again, in part as a result of the increase in poverty levels and, in turn, the number of delinquent accounts and fraud. Although we continue to make investments to reduce energy losses, these losses continue to exceed the average 10% loss factor contemplated by the concession and, based on the current tariff schedule and

economic turmoil, we do not expect these losses to decrease in the near term. Our energy losses amounted to 17.0% in 2016, 14.9% in 2015 and 14.3% in 2014. We cannot assure you that our energy losses will not continue to increase in future periods, which may lead us to have lower margins and could adversely affect our financial condition, our results of operations and the market value of our ADSs.

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

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

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

On February 1, 2017, the ENRE issued Resolution No. 63/17 establishing the new tariff scheme resulting from the completion of the RTI process, for the following five-year period. In accordance with the provisions of the Adjustment Agreement, EASA and EDFI withdrew their ICSID claim, and on March 28, 2017, the ICSID acknowledged the discontinuance of the procedure.

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

In 2016, our fines and penalties remained below the 20% of our gross energy sales. See "Item 4. Information on the Company—Our Concession—Fines and Penalties."

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

If the Argentine government breaches its obligations in such a way that we cannot comply with our obligations under our concession agreement or in such a way that our service is materially affected, we may request the termination of our concession, after giving the Argentine government a 90 days' prior notice, in writing. Upon termination of our concession, all our assets used to provide the electricity distribution service would be transferred to a new state-owned company to be created by the Argentine

government, whose shares would be sold in an international public bidding procedure. The amount obtained in such bidding would be paid to us, net of the payment of any debt owed by us to the Argentine government, plus an additional compensation established as a percentage of the bidding price, ranging from 10% to 30%, depending on the management period in which the sale occurs. Any such default could have a material adverse effect on our business and financial condition.

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

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

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

As of December 31, 2016, approximately 86% of Edenor employees were union members. Although our relations with unions are currently stable and we have had an agreement in place with the two unions representing our employees since 1995, we cannot assure you that we will not experience work disruptions or stoppages in the future, which could have a material adverse effect on our business and revenues. We cannot assure you that we will be able to negotiate salary agreements or labor conditions on the same terms as those actually in effect, or that we will not be subject to strikes or work stoppages before or during the negotiation process. If we are unable to negotiate salary agreements or if we are subject to demonstrations or work stoppages, our results of operations, financial conditions and the market value of our ADSs could be materially adversely affected.

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

We outsource a number of activities related to our business to third-party contractors in order to maintain a flexible cost base. As of December 31, 2016, we had approximately 3,786 third-party employees under contract. Although we have very strict policies regarding compliance with labor and social security obligations by our contractors, we are not in a position to ensure that contractors will not initiate legal actions to seek indemnification from us based upon a number of judicial rulings issued by labor courts in Argentina which have recognized joint and several liability between a contractor and the entity to which it is supplying services under certain circumstances. We cannot make any assurances that such proceedings will not be brought against us or that the outcome of such proceedings will be favorable to us. If we were to incur material labor liabilities in connection with our outsourcing, such liability could have an adverse effect on our financial condition, our results of operations and the market value of our ADSs.

Our performance is largely dependent on recruiting and retaining key personnel

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

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

Our revenues are collected in Pesos pursuant to tariffs that are not indexed to the U.S. Dollar, while all of our existing financial indebtedness is denominated in U.S. Dollars, which exposes us to the risk of loss from increased devaluation of the Peso. We are currently hedging part of this risk by converting a portion of our excess cash denominated in Pesos into U.S. Dollars and investing those funds outside Argentina, as permitted by applicable Central Bank regulations or by entering into currency forward contracts. In 2015, the Peso lost approximately 52% of its value with respect to the U.S. Dollar, including a depreciation of approximately 34% mainly experienced after December 17, 2015 following the announcement of the lifting of a significant portion of exchange restrictions. In 2016, the devaluation of the Peso with respect to the U.S. Dollar reached approximately 20%. In each of 2016 and 2015, our hedging contracts did not cover all of our exposure to such depreciation. We cannot assure you that the Argentine government will maintain current exchange regulations or that we will secure hedging transactions significant to cover all or a part of our exposure on favorable terms. If we continue to be unable to effectively hedge all or a sufficient portion of our currency risk exposure, a further devaluation of the Peso may significantly increase our debt service burden, which, in turn, may have a material adverse effect on our financial condition and results of operations.

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

As of December 31, 2016, our physical assets were insured for up to U.S.$ 1,516.8 million. However, we do not carry insurance coverage for losses caused by our network or business interruption, including for loss of our concession. See "Item 4. Information on the Company—Our Business—Insurance." Although we believe our insurance coverage is commensurate with standards for the distribution industry, no assurance can be given of the existence or sufficiency of risk coverage for any particular risk or loss. If an accident or other event occurs that is not covered by our current insurance policies, we may experience material losses or have to disburse significant amounts from our own funds, which may have a material adverse effect on our net profits and our overall financial condition and on the market value of our ADSs.

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

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

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

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

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

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

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

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

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

As of December 31, 2016, we owed approximately Ps. 5,469.5 million to CAMMESA, (including interest). Although we submitted to CAMMESA a repayment plan in November 2015, as of the date of this annual report negotiations with CAMMESA continue with respect to a final repayment schedule. This commercial debt is due and unpaid and we have not secured any waivers from CAMMESA. If CAMMESA requested that we repay such debt in a single payment, we may be unable to raise the funds necessary to repay it and, consequently, we could be exposed to a cash attachment, which could in turn result in our filing for a voluntary reorganization proceeding ("*concurso preventivo*"), which could cause the market value of our ADSs and Class B common shares to decline (see "—Risks related to Our Business—All of our outstanding financial indebtedness contains bankruptcy, reorganization proceedings and expropriation events of default, and we may be required to repay all of our outstanding debt upon the occurrence of any such events").

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

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

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

As of the date of this annual report, approximately U.S.$ 176.4 million of our financial debt is represented by the Senior Notes due 2022. Under the indenture for the Senior Notes due 2022, certain expropriation and condemnation events with respect to us may constitute an event of default, which, if declared, could trigger the acceleration of our obligations under the notes and require us to immediately repay all such accelerated debt. In addition, all of our outstanding financial indebtedness contains certain events of default related to bankruptcy and voluntary reorganization proceedings ("*concurso preventivo*"). If we are not able to comply with certain payment obligations as a result of our financial situation and if the requirements set forth in the Argentine Bankruptcy Law No. 24,522 are met, any creditor, or even us, could file for our bankruptcy, or we could file for a voluntary reorganization proceeding ("*concurso preventivo*"). In addition, all of our outstanding financial indebtedness also contains cross-default provisions or cross-acceleration provisions that could cause all of our debt to be accelerated if the debt containing expropriation or bankruptcy or reorganization proceeding events of default goes into default or is accelerated. In such a case, we would expect to actively pursue formal waivers from the corresponding financial creditors to avoid such potential situation, but in case those waivers are not timely obtained and immediate repayment is required, we could face short-term liquidity

problems, which could adversely affect our results of operations and cause the market value of our ADSs and Class B common shares to decline.

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

As of the date of this annual report, approximately U.S.$176.4 million of our financial debt is represented by the Senior Notes due 2022. Under the indenture for the Senior Notes due 2022, if a change of control occurs, we must offer to repurchase any and all such notes that are outstanding at a purchase price equal to 100% of the aggregate principal amount of such notes, plus any accrued and unpaid interest thereon and additional amounts, if any, through the purchase date. We may not have sufficient funds available to us to make the required repurchases of the Senior Notes due 2022 upon a change of control. If we fail to repurchase such notes in circumstances that may constitute an event of default under the indenture, which may in turn trigger cross-default provisions in other of our debt instruments then outstanding, our results of operations could be adversely affected and the market value of our ADSs and Class B common shares could decline.

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

As of December 31, 2016, our negative results exceeded 100% of our reserves and more than 50% of our capital stock, therefore, in accordance with Section 206 of the Argentine Corporations Law No. 19,550 (the "Argentine Corporations Law"), we were required to mandatorily reduce our capital stock. As of the date of this annual report, in light of the recent conclusion of the RTI process, our board of directors is currently analyzing the impact thereof on our financial position, estimating that the expected future revenues will allow us to revert this situation. If our losses for any fiscal year exceed our reserves plus 50% or more of our capital stock at the end of any such year, we fall under the purview of Section 206 of the Argentine Corporations Law and are required to mandatorily reduce our capital stock. Moreover, if our shareholders' equity becomes negative (that is, if our total liabilities exceed our total assets) at the end of any fiscal year, we are required to dissolve and liquidate pursuant to Article 94 of the Argentine Corporations Law unless we receive a capital contribution or expect future revenues or results of operations which would result in our assets exceeding our liabilities. On April 18, 2017, our shareholders' meeting decided not to approve the capital stock reduction at that time. However, if our quarterly negative results for the periods ended on March 31, 2017 and June 30, 2017 exceed 100% of our reserves and more than 50% of our capital stock, our board of directors will convene an extraordinary shareholder's meeting to reconsider the capital stock reduction. A mandatory capital stock reduction can adversely affect our results of operations and financial conditions and cause the market value of our ADSs and Class B common shares to decline. See "Item 8. Financial Information—Significant Changes").

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

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

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

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

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

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

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

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

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

Risks relating to ADSs and our Class B common shares

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

The Argentine government may impose restrictions on the conversion of Argentine currency into foreign currencies and on the remittance to foreign investors of proceeds from their investments in Argentina. 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. Although the transfer of funds abroad in order to pay dividends no longer requires Central Bank approval to the extent such dividend payments are made in connection with audited financial statements approved by a shareholders' meeting, future restrictions on the movement of capital to and from Argentina such as those that previously existed could, if reinstated, impair or prevent the conversion of dividends, distributions, or the proceeds from any sale of shares, as the case may be, from Pesos into U.S. Dollars and the remittance of such U.S. Dollars abroad. We cannot assure you that the Argentine government will not take similar measures in the future. In such a case, the depositary for the ADSs may hold the Pesos it cannot otherwise convert for the account of the ADS holders who have not been paid. In addition, any future adoption by the Argentine government of restrictions to the movement of capital out of Argentina may affect the ability of our foreign shareholders and holders of ADSs to obtain the full value of their shares and ADSs, and may adversely affect the market value of our ADSs.

Our shareholders' ability to receive cash dividends may be limited

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

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

Our corporate affairs are governed by our by-laws and by Argentine corporate law, which differ from the legal principles that would apply if we were incorporated in a jurisdiction in the United States, such as the States of Delaware or New York, or in other jurisdictions outside Argentina. In addition, the rights of holders of the ADSs or the rights of holders of our common shares under Argentine corporate law to protect their interests relative to actions by our board of directors may be fewer and less well-defined than those under the laws of those other jurisdictions. In addition, rules and policies against self-dealing and regarding the preservation of shareholder interests may be less well-defined and enforced in Argentina than in the United States, putting holders of our common shares and ADSs at a potential disadvantage.

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

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

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

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

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

Argentine securities laws contain provisions that may discourage, delay or make more difficult a change of control of Edenor, 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 of control that might otherwise be in the best interest of our shareholders and may adversely affect the market value of our shares and ADSs.

Item 4. *Information on the Company*

HISTORY AND DEVELOPMENT OF THE COMPANY

Empresa Distribuidora y Comercializadora Norte S.A., or Edenor, is a public service company incorporated as a *sociedad anónima* (stock corporation) under the laws of Argentina. Our principal executive offices are located at Avenida del Libertador 6363, Ciudad de Buenos Aires, C1428ARG, Argentina, and our general telephone number at this location is +54 11 4346 5000.

We were incorporated on July 21, 1992, under the name Empresa Distribuidora Norte Sociedad Anónima, as part of the privatization of the Argentine state-owned electricity utility, Servicios Eléctricos del Gran Buenos Aires S.A. (SEGBA). The Company's term of duration is 95 years. In anticipation of its privatization, SEGBA was divided into three electricity distribution companies, including our company,

and four electricity generation companies, and on May 14, 1992, the Argentine Ministry of Economy and Public Works and Utilities approved the public sale of all of our company's Class A common shares, representing 51% of the capital stock of our company.

A group of international investors, which included EDF International S.A. (a wholly owned subsidiary of Électricité de France S.A.), presented a bid for our Class A common shares through Electricidad Argentina S.A. (EASA), an Argentine company. EASA was awarded the bid and, in August 1992, EASA and the Argentine government entered into a stock purchase agreement relating to the purchase of our Class A common shares. In addition, on August 5, 1992, the Argentine government granted us a concession to distribute electricity on an exclusive basis within our concession area for a period of 95 years. On September 1, 1992, EASA acquired our Class A common shares and became our controlling shareholder. See "Item 7. Major Shareholders and Related Party Transactions - Acquisition by Central Térmica Loma de la Lata S.A".

In June 1996, our shareholders approved the change of our name to Empresa Distribuidora y Comercializadora Norte S.A. (EDENOR S.A.) to more accurately reflect the description of our core business. The amendment to our by–laws related to our name change was approved by the ENRE and registered with the Public Registry of Commerce (*Inspección General de Justicia*, the "IGJ") in 1997.

In 2001, EDF International S.A. (EDFI) acquired, in a series of transactions, all of the shares of EASA held by EASA's other shareholders, ENDESA Internacional, YPF S.A., which was the surviving company of Astra, and SAUR. As a result, EASA became a wholly–owned subsidiary of EDFI. In addition, EDFI purchased all of our Class B common shares held by these shareholders, increasing its direct and indirect interest in us to 90%.

On January 6, 2002, the Argentine Congress enacted the Public Emergency Law, which authorized the Argentine government to implement certain measures to overcome the country's economic crisis. Under the Public Emergency Law, the Argentine government altered the terms of our concession and the concessions of other public utility services by renegotiating tariffs, freezing distribution margins and revoking price adjustment mechanisms, among other measures.

In September 2005, Dolphin Energía and IEASA acquired an indirect controlling stake in our company from EDFI. Dolphin Energía and IEASA were at the time of such acquisition controlled by the principals of Grupo Dolphin, an Argentine advisory and consulting firm that carries out private equity activities. On September 28, 2007, Pampa Energía S.A. ("Pampa Energía" or "Pampa") acquired all the outstanding capital stock of Dolphin Energía and IEASA from the then current shareholders of these companies, in exchange for common stock of Pampa Energía. Pampa Energía, which is managed by Grupo Dolphin's former principals, owns a 50% interest in the company that co-controls the principal electricity transmission company in Argentina, *Compañía de Transporte de Energía Eléctrica en Alta Tensión S.A.* ("Transener"). In addition, Pampa Energía has controlling stakes in five generation plants located in the Salta, Mendoza, Neuquén and Buenos Aires provinces (Hidroeléctrica Nihuiles, Hidroeléctrica Diamante, Central Térmica Güemes, Central Térmica Loma de la Lata and Central Piedra Buena). See "Item 7. Major Shareholders and Related Party Transactions".

In April 2007, we completed the initial public offering of our Class B common shares, in the form of shares and American depositary shares, or ADSs. We and certain of our shareholders sold 18,050,097 ADSs, representing 361,001,940 Class B common shares, in an offering in the United States and elsewhere outside Argentina, and our Employee Stock Participation Program sold 81,208,416 Class B common shares in a concurrent offering in Argentina. Our ADSs are listed in the NYSE under the symbol "EDN," and our Class B common shares are listed on the BASE under the same symbol. We received approximately U.S.$ 61.4 million in proceeds from the initial public offering, before expenses, which we used to repurchase a part of our then outstanding debt. Following the initial public offering, EASA continues to hold 51% of our common shares, and approximately 49% are held by the public. See "Item 7. Major Shareholders and Related Party Transactions".

On November 20, 2008, the Argentine Congress passed a law unifying the Argentine pension and retirement system into a system publicly administered by the ANSES and eliminating the retirement savings system previously administered by private pension funds under the supervision of a governmental agency. In accordance with this law, private pension funds transferred all of the assets administered by them under the retirement savings system to the ANSES. As of the date of this annual report, ANSES held 242,999,553 of our Class B common shares, representing 26.8% of our capital stock.

EDESA Sale

On April 23, 2012, our board of directors accepted the offer made by Salta Inversiones Eléctricas S.A. ("SIESA") to Edenor and its subsidiary Emdersa Holding, for the acquisition of shares representing: (i) 78.44% of the capital stock and voting rights of EDESAH and (ii) the remaining 0.01% of ESED.

The transaction was carried out on May 10, 2012 at the offered price payable through the delivery of Argentina's sovereign debt bonds (Boden 2012) for a value equivalent to Ps. 100.5 million.

EDELAR Offer

An offer from Andes Energía Argentina S.A. ("Andes Energía") was accepted by our board of directors. Such offer consisted of a proposal to buy a purchase option for a price of U.S.$ 1.5 million to buy, if Emdersa's spin-off was completed within a term of two years, 78.44% of the Company's direct and indirect stake in EDELAR for U.S.$ 20.29 million, to be paid in two installments. The purchase option was paid by the buyer on September 16, 2011. On December 31, 2012, Andes Energía's purchase option expired.

EDELAR/EMDERSA Sale

On September 17, 2013, our board of directors approved an irrevocable offer to Energía Riojana S.A. (ERSA) and the government of the Province of La Rioja for the (i) sale of our indirect stake in Emdersa, Edelar's parent company, and (ii) assignment of certain account receivables that we had against Emdersa and Edelar. On October 4, 2013, ERSA and the government of the Province of La Rioja in its capacity as controlling shareholder of ERSA accepted the offer. The transaction closed on October 30, 2013. The price agreed upon was Ps. 75.2 million payable in 120 monthly and consecutive installments. In November 2015, we began to pay installments in accordance with the agreed upon schedule.

EMDERSA Holding Merger process

On October 7, 2013, the Company resolved to initiate the proceedings pursuant to which the Company will absorb Emdersa Holding in order to optimize its resources, simplifying its corporate, administrative and operating structure.

On December 20, 2013, the merger of Emdersa Holding into Edenor was approved by an extraordinary shareholders' meeting, as well as all documentation and information required by applicable regulation towards that end. As of the date of this annual report, the administrative approval by the IGJ is pending. The effective reorganization date for all legal, accounting and tax purposes will be retroactive to October 1, 2013.

AESEBA/EDEN Sale

In 2013, the Company received offers from two investment groups for the acquisition of all of the shares of AESEBA, the controlling company of EDEN. On February 27, 2013, our board of directors approved the acceptance of the offer by Servicios Eléctricos Norte BA S.L. (the "Purchaser") for the acquisition of AESEBA's shares representing 100% of its capital stock and voting rights. The sale price was payable in Argentine government Bonar 2013 bonds, or similar bonds, in an amount equivalent to Ps. 334.3 million, considering the market price of such Argentine government securities at the time of the transaction. Such delivery was secured by the Purchaser's contribution to a trust (the "Management Trust" or the "Aeseba Sale Trust") in Argentine public debt securities, valued at the closing date of the transaction. No debt instruments of the Company were contributed to the Trust.

Through this transaction, the Company divested the AESEBA business segment, recording a loss of Ps. 96.5 million, included in the results from continued operations. Subsequently the Trust used all the cash and bonds deposited to purchase Notes of the Company due 2017 and 2022. The result of the repurchase of those Notes was a gain of Ps. 116.1 million, which was recognized in "Other financial results" (Ps. 71.7 million in fiscal year 2013 and Ps. 44.4 million in fiscal year 2014).In April 2014, we closed the Management Trust and transferred and cancelled all the Edenor securities repurchased. See "Item 5.Operating and Financial Review and Prospects—Debt".

BUSINESS OVERVIEW

We believe we are the largest electricity distribution company in Argentina and one of the largest in Latin America in terms of number of customers and electricity sold (both in GWh and in Pesos) in 2016. We hold a concession to distribute electricity on an exclusive basis to the northwestern part of the greater Buenos Aires metropolitan area and in the northern part of the City of Buenos Aires. As of December 31, 2016, Edenor served 2,867,250 customers. The following table shows the percentage of the electricity produced and sold by generating companies that was purchased by us in the periods indicated:

Year	Electricity demand[(1)]	Edenor demand[(2)]	Edenor´s demand as % of total demand
2014	126,397	24,860	19.7%
2015	131,998	26,322	19.9%
2016	132,950	26,838	20.2%

Source: Compañía Administradora del Mercado Mayorista Eléctrico, S.A. (CAMMESA)

(1) Demand in the Mercado Eléctrico Mayorista Sistema Patagónico (Patagonia wholesale electricity market, or MEMSP).

(2) Calculated as electricity purchased by us and our wheeling system customers.

Edenor Concession

Through a concession dated August 5, 1992, the Argentine government granted us the exclusive right to distribute electricity within our concession area for a period of 95 years. Our concession will expire on August 31, 2087 and can be extended for one additional 10-year period if we request the extension at least 15 months before expiration. The Argentine government may choose, however, to grant us the extension on a non-exclusive basis. The concession period was initially divided into an initial management period of 15 years expiring on August 31, 2007, followed by eight 10-year periods. However, pursuant to the terms of the concession we could request, at our option, the extension of the initial management period for an additional 5-year period from the entry into force of the new tariff structure adopted under the RTI process, subject to the ENRE's approval. We presented requests for such extension in May 2007 and on July 5, 2007, and the ENRE, pursuant to its Resolution No. 467/2007, agreed to extend the initial management period for an additional period of five years from the date when the new tariff structure was adopted under the RTI. The remaining 10-year periods will run from the expiration of the extension of the initial management period.

On January 6, 2002, the Argentine Congress enacted the Public Emergency Law, which empowered the Argentine government to implement, among other things, monetary, financial and foreign exchange measures to overcome the economic crisis. These measures, combined with the devaluation of the Peso and high rates of inflation, have had a severe effect on public utility companies in Argentina, including us. Under the Public Emergency Law, the Argentine government converted public utility tariffs from their original U.S. Dollar values to Pesos at an exchange rate of Ps. 1.00 per U.S.$ 1.00, froze all regulated distribution margins relating to the provision of public utility services (including electricity distribution services), revoked all price adjustment provisions and inflation indexation mechanisms in public utility concessions (including our concession) and was empowered to conduct a renegotiation of public utility contracts (including our concession) and the tariffs set therein (including our tariffs).

In September 2005, we entered into the Adjustment Agreement with the Argentine government, which was ratified in January 2007. Because a new Argentine Minister of Economy took office thereafter, we formally re-executed the Adjustment Agreement with the Argentine government on February 13, 2007 under the same terms and conditions originally agreed.

The following are the key provisions of the Adjustment Agreement, which are described elsewhere in this annual report:

- a cost adjustment mechanism (CMM), pursuant to which our distribution costs were reviewed semiannually (or, under certain circumstances, more often) and adjusted if deemed appropriate by the ENRE to cover increases in our distribution costs;

- an obligation to make capital expenditures of approximately Ps. 204 million for specific projects in 2006, which we complied with although we were not required to given that the Adjustment Agreement was not ratified in 2006;
- our obligation to meet specified more stringent service quality standards than as originally contemplated in our concession;
- a restriction on our ability to pay dividends without prior ENRE approval during the period in which we were engaged in the RTI;
- forgiveness of approximately one-third of our accrued and unpaid fines, subject to meeting certain conditions relating to capital expenditures obligations and service quality standards, and a 7-year payment plan for the balance, commencing 180 days after the date on which the RTI came into effect;
- our obligation to apply a social tariff regime for low-income customers, which regime was defined in the context of the RTI; and
- our obligation to extend our network to provide service to certain rural areas.

Pursuant to the Adjustment Agreement, the Argentine government granted us an increase of 28% in our distribution margin as a result of the implementation of a Temporary Tariff Structure (RTT), which was effective retroactively as from November 1, 2005. The Adjustment Agreement was intended to apply transitionally until we completed the RTI with the ENRE in accordance with the terms of the Adjustment Agreement. See "Item 5. Operating and Financial Review and Prospects—Factors Affecting Our Results of Operations—Tariffs". In addition, the ENRE applied a cost adjustment mechanism for the transition period during which the RTI process was being conducted. The CMM required the ENRE to review our actual distribution costs every six months (in May and November of each year). If the variation between our actual distribution costs and our recognized distribution costs (as initially contemplated in the Adjustment Agreement or, if adjusted by any subsequent CMM, the most recent distribution cost base established by a CMM) was 5% or more, the ENRE was required to adjust our distribution margin to reflect our actual distribution cost base. The ENRE's review was based on our distribution costs during the six-month period ending two months prior to the date on which the ENRE was required to apply the CMM. We could also request that the ENRE apply the CMM at any time that the variation in our distribution cost base was at least 10% or more. Because the Adjustment Agreement was effective retroactively as of November 1, 2005, in May 2006, the ENRE determined that our distribution cost base increased by 8.032% (compared to the distribution cost base recognized in the Adjustment Agreement), and, accordingly, approved an equivalent increase in our distribution margin effective May 1, 2006. This increase, when compounded with the 28% VAD increase granted under the Adjustment Agreement, resulted in an overall 38.3% increase in our distribution margins charged to our non-residential customers. Also, on February 13, 2007, the ENRE authorized us to bill our customers (excluding residential customers) the retroactive portion of the 38.3% increase (corresponding to the period from November 2005 to January 2007), which amounted to Ps. 218.6 million and has been invoiced in 55 monthly installments since February 2007.

Between 2007 and 2016, we requested several CMM adjustments, which were recognized by the ENRE through different resolutions and notes (Resolution No. 1,037/07, Note No. 81,399, Resolution No. 250/13 and Resolution No. 32/15). Only two adjustments were recognized in a timely manner and were incorporated into the tariff structure, while the rest of them were recognized belatedly and not incorporated into our tariff structure.

On November 23, 2012, the ENRE issued Resolution No. 347/12 pursuant to which distribution companies were authorized, as from the issuance thereof, to include a fixed amount for small-demand (T1) customers and a variable amount for medium and large-demand (T2 and T3) customers as an additional charge in their bills, calculated as a percentage of power charges. Such charges, which are clearly indicated in the bills sent to customers, were deposited into a special trust account created by Resolution No. 347/2012 (namely, the "FOCEDE") and exclusively used for the execution of distribution infrastructure and corrective maintenance works on the facilities of each of the distribution companies. Resolution No. 2/2016 of the ENRE partially repealed Resolution No. 347/2012, discontinuing the FOCEDE and ordering us to open a special bank account with a Central Bank authorized entity where the funds received pursuant to Resolution No. 347/2012 were deposited through February 2016.

In March 2015, the SE issued Resolution No. 32/15 granting us a temporary increase in income through funds provided by CAMMESA, which was applicable retroactively as from February 1, 2015, through February 1, 2016, 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. Such additional income resulted

from the difference between the "theoretical" tariff schedules set forth in such resolution and the tariff schedule in force at each time for each category of user, according to calculations made by the ENRE, which had been reported monthly to the SE and CAMMESA. In this respect, CAMMESA had transferred the funds contributed by the Argentine government, in accordance with the values reported by the ENRE.

As from February 1, 2015, the PUREE funds were considered as part of our income on account of the future RTI. We were entitled to offset the debts for PUREE with claims arising from the calculation of CMM until that date, including the application of interest that could correspond to both concepts. Any amount of PUREE funds in excess of those applied to offset CMM-related claims as described in the previous sentence were to be offset against debts arising from loans granted by CAMMESA in connection with the mandatory salary increases.

Although we submitted to CAMMESA a repayment plan in November 2015, as of the date of this annual report negotiations with CAMMESA continue with respect to a final repayment schedule to cancel the obligations owed to it for the provision of electricity.

On December 16, 2015, the Macri administration declared the state of emergency of the national electricity system that will remain in effect until December 31, 2017. The state of emergency allows the Argentine government to take actions designed to guarantee the supply of electricity.

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

In addition, such resolution: (i) abrogated the PUREE; (ii) repealed Resolution No. 32/2015 as from the date the ENRE resolution implementing the new tariff schedule is in force; (iii) discontinued the application of mechanisms that imply the transfer of funds from CAMMESA in the form of loan agreements with CAMMESA; and (iv) ordered the implementation of the actions required to terminate the trusts created pursuant to Resolution No. 347/2012 of the ENRE.

Pursuant to Resolution No. 7/16, the ENRE issued Resolution No. 1/16 establishing a new tariff structure, which remained in force untill February 2017, when the RTI was completed.

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

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

On February 1, 2017, the ENRE issued Resolution No. 63/2017, through which it approved a new tariff scheme that set our new distribution added value (VAD) for the following five-year period. For more information, see "Item 5—Operating and Financial Review and Prospects—Integral Tariff Revision."

Geographic Exclusivity

Our concession gives us the exclusive right to distribute electricity within our concession area during the term of our concession. Under our concession, neither the national nor the provincial or local governments may grant further concessions to operate electricity distribution services within our concession area. In that respect, we are obligated to satisfy all of the demand for electricity originated in our concession area, maintaining at all times a service quality standard that has been established in our concession. This geographic exclusivity may be terminated in whole or in part by the Executive Branch if technological changes make it possible for the energy distribution industry to evolve from its present condition as a natural monopoly into a competitive business. However, the Argentine or the Provincial government may only exercise its right to alter or suppress our geographical exclusivity at the end of each management period under our concession, by prior written notice at least six months before the expiration of the then current management period.

Edenor's concession area is divided into the following operating territories:

Operating territory	Districts

Region I	Ciudad de Buenos Aires, San Isidro, Vicente López, San Martín and Tres de Febrero
Region II	La Matanza, Morón, Hurlingham, Ituzaingo, Merlo, Marcos Paz and Gral. Las Heras
Region III	Pilar, Escobar, Tigre, San Fernando, San Miguel, Malvinas Argentinas, José C. Paz, Moreno and Gral. Rodríguez

The table below sets forth certain information relating to operating territories of Edenor as of and for the year ended December 31, 2016:

Operating territory	Area (km^2)	Customers (in thousands)	
Region I	251.0	1,151.4	40.2%
Region II	1,761.0	912.4	31.8%
Region III	2,625.0	803.4	28.0%
Total	**4,637.0**	**2,867.2**	**100.0%**

Our Obligations

We are obligated to supply electricity upon request by the owner or occupant of any property in our concession area. We are entitled to charge for the electricity supplied at rates that are established by tariffs set with the prior approval of the ENRE under applicable regulations. Pursuant to our concession, we must also meet specified service quality standards relating to:

- the time required to connect new users;
- voltage fluctuations;
- interruptions or reductions in service; and
- the supply of electricity for public lighting and to certain municipalities.

Our concession requires us to make the necessary investments to establish and maintain quality of service standards and to comply with stringent minimum public safety standards as specified in our concession. We are also required to furnish the ENRE with all information requested by it and must obtain the ENRE's prior consent for the disposition of assets that are assigned to the provision of our electricity distribution services. The ENRE also requires us to compile and submit various types of reports regarding the quality of our service and other technical and commercial data, which we must periodically report to the ENRE.

Under our concession, we may also be required to continue rendering services after the termination of the concession term upon the request of the Argentine government, but for a period not to exceed 12 months.

We are obligated to allow certain third parties (namely, other agents and large users) to access any available transportation capacity within our distribution system upon payment of a wheeling fee. Consequently, we must render the distribution service on an uninterrupted basis to satisfy any reasonable demand. We are prohibited from engaging in practices that limit competition or result in monopolistic abuses.

In addition, Clause 22.1 of the Adjustment Agreement required us and our shareholders and former shareholders to suspend all claims and legal proceedings (including arbitration actions) in administrative, state or federal courts located in Argentina or abroad, that were related to measures adopted with respect to the Concession Agreement, derived from the emergency situation declared by the Public Emergency Law. After the completion of the RTI, we and our shareholders and former shareholders were also obligated to completely waive and desist from all of the above mentioned claims and legal proceedings. All proceedings related to circumstances supervening the above described situations, or that were not related to the consequences of the Public Emergency Law, were expressly excluded. If our shareholders or former shareholders had not desisted from these claims, the Argentine

government would have the right to foreclose on the pledge of our Class A common shares and sell these shares to a third party buyer. If the Company or any shareholder or former shareholder re-established or initiated a new claim, we would have the obligation to hold the Argentine government harmless in respect of amounts it could be required to pay pursuant to such claims. EDFI and EASA suspended all such claims against the Argentine government as part of the Adjustment Agreement and, in connection with its sale of its controlling stake in Edenor, EDFI agreed to withdraw its claims against the Argentine government before the ICSID at the request of Dolphin Energía S.A.

On February 1, 2017, the ENRE issued Resolution No. 63/17 establishing the new tariff scheme which resulted from the completion of the RTI process, which will apply to the following five-year period. Pursuant to the provisions of the Adjustment Agreement, EASA and EDFI withdrew their ICSID claim, and on March 28, 2017, the ICSID took note of the discontinuance of the procedure.

In accordance with our concession, our controlling shareholder, EASA, has pledged its 51% stake in the Company to the Argentine government to secure obligations under our concession. The Adjustment Agreement required that the pledge be extended to secure our obligations under such agreement.

Quality Standards

Edenor's Concession

Pursuant to our concession, we are required to meet specified quality standards with respect to the technical quality of the product delivered (electricity) and the technical quality of the service provided. The quality standards relating to the technical product refer to the electricity's voltage levels. Edenor's concession requires that the voltage level that we deliver be 3x380/220 V; 13.2 kV; 33kV; 132 kV; 220 kV. Edenor's concession provides that admissible disruptions gaps in the voltage level may not exceed the following:

High voltage	-5.0% to +5.0%
Overhead network (medium or low voltage)	-8.0% to +8.0%
Buried network (medium or low voltage)	-5.0% to +5.0%
Rural	-10.0% to +10.0%

A fine is imposed under Edenor's concession for disruption gaps in voltage levels that exceed the above-mentioned limits for 3.0% or more of the total amount of time that electricity is provided. The amount of the fine depends on the magnitude of the gaps. As the gaps's percentage increases (or decreases) from the nominal contracted tension level, the rate of the fine per kWh increases. These fines are credited to the affected user's bill.

The quality standards of the product set forth in Edenor's concession refer to the frequency and duration of the interruptions. The following table sets forth the standards set forth in our concession with respect to the frequency and duration of interruptions per customer during the current management period:

Category of user	Frequency of interruptions (maximum number of interruptions per semester)	Duration of interruption (maximum amount of time per interruption)[(1)]
High voltage	3	2 hours
Medium voltage	4	3 hours
Low voltage: (small and medium demand)	6	10 hours
Large demand	6	6 hours

(1) Interruptions of less than three minutes are not recorded.

In addition, pursuant to the Adjustment Agreement, we agreed to comply with a medium delivery standard (SAIFI and SAIDI) that reflected our actual average delivery standards during the period from 2001 through 2003. This medium delivery standard required us to comply with a maximum number of interruptions per semester, on average, of 2,761 and a maximum duration of interruption, on average, of 5,386 hours. If we do not meet the delivery standards required by our concession, as set forth in the table above, but are otherwise in compliance with the medium delivery standard under the

Adjustment Agreement, we may withhold payment of any fines that may be imposed under our concession for this failure and use this amount of unpaid fines for our capital expenditures. If we fail to comply with this measure, we will be required to pay the fines to the affected customers.

Modifications resulting from the completion of the RTI process

In the five-year period following the completion of the RTI process, new regulatory requirements in terms of both product quality and service quality will be implemented, as set forth in ENRE Resolution No 63/2017. The most relevant changes relating to product quality will consist of: (1) the unification of the levels of voltage including an admissible disruption gap of 5% for high voltage and 8% for medium and low voltage; (2) the update of the cost of energy supplied under bad conditions (as per its term in Spanish, "CESMC"), which will increase to reflect the registered voltage offset (the CESMC will be updated depending on the VAD increases that may occur); (3) the calculation of a factor to be applied over the CESMC to establish the reduction to be allocated to each affected user, with increases for each semester in the mentioned five-year period; and (4) the determination of an increase mechanism in customer compensation in the case of persistence over time of the event or incident.

In connection with the technical service quality, the most relevant changes will consist of: (1) the update of the cost of energy not supplied in conditions ("CENS") according to the user's category, which at the same time will be subject to any VAD increases that may occur; (2) the exclusion of penalties application in the event of electrical outages caused by severe climate events that affect between 100,000 and 400,000 users within 24 hours, provided that the service is reestablished within the terms set forth in ENRE Resolution No. 63/17; (3) the incorporation of quality paths that set expected values for the SAIDI and SAIFI indicators, which satisfaction will determine the application of factors to be applied over the CENS to establish a compensation to be allocated to users. These factors are related to the duration of the electrical outage and increase in subsequent semesters of the five-year period; and, (4) the determination of adjustment rates differentiated by district/commune over the mentioned factors. In all cases, the evolution of these quality paths drive the SAIDI/SAIFI indexes to the values defined as medium grade quality reference in the concession contract at the end of the five-year period.

Pursuant to our concession, the ENRE may fine us if one of our customers suffers more than the maximum number of interruptions specified for its category (excluding interruptions of less than 3 minutes) or suffers interruptions for a longer period than as specified for its category. We pay these fines by granting credits to the affected customers in their electricity bills. Fines are calculated at a rate per kWh that varies depending on the particular tariff or price schedule that is applicable to the customer.

The following table sets forth the frequency and duration (SAIDI and SAIFI) of interruptions of our service in the periods indicated:

	Year ended December 31,		
	2016	**2015**	**2014**
Average frequency of interruptions	8.67	8.93	9.55
Average duration of interruption (in hours)	25.84	26.63	33.03

In addition, for the purpose of meeting the quality levels, we must comply with certain operational requirements related to the quality of our commercial services, safety in the public highways, data gathering and processing (including through reports that must be submitted to ENRE for supervision and control) and other contractual requirements related to our environmental management plan and the claims filed with ENRE by users which have been resolved after the established period.

Fines and Penalties

Under the terms of our concession, the ENRE may impose fines and penalties if we fail to comply with our obligations.

Fines relating to our failure to meet any of the quality and delivery standards described above are payable by granting credits or bonuses to our customers to offset a portion of their electricity charges.

Since 1996, we have operated a central information system that allows us to directly credit customers who are affected by these quality or delivery deficiencies in the amount of the applicable fines.

Fines and penalties that are not directly related to services rendered to our customers are owed to the ENRE. These include fines imposed on us by the ENRE for any network installations found to create a safety or security hazard in a public space, including streets and sidewalks. In addition, the ENRE may fine us for inconsistency in technical information that we are required to furnish to the ENRE. Fines paid to the ENRE are deposited in the Third-Party Reserve Fund of the ENRE (*Reserva de Fondos de Terceros del ENRE*) in an account held with Banco Nación. Payments accumulate in the account until the amount deposited reaches Ps. 5.6 million and then, with the ENRE's authorization, the amount is proportionally distributed among our customers.

When we entered into the Adjustment Agreement in September 2005, the ENRE approved a payment plan in respect of approximately Ps. 116 million of our accrued fines and penalties and agreed, subject to the condition that we meet the quality standards and capital expenditure requirements specified in the Adjustment Agreement, to waive approximately Ps. 58 million of accrued and unpaid fines and penalties. Under such payment plan, the penalties and fines to be paid to users were to be repaid in fourteen semiannual installments, with the first installment due upon the termination of a 180-day grace period beginning on the date the RTI's resulting tariff structure came into effect.

Because the Adjustment Agreement was not ratified until January 2007, we recalculated the amounts of accrued fines and penalties credited thereof, according to the increase of the VAD charged to customers (including the CMM adjustments which have been transferred to customers for a total amount of Ps.17.2 million) up to the date of their credit to the customers' accounts.

On December 22, 2015, considering the existence of cash flow and the strong possibility that such penalties to be paid to users would not be waived, we decided to make such payment in the form of one single credit, instead of fourteen semiannual installments as previously agreed, which was made to the users' accounts for an amount Ps.152.2 million in the aggregate. In addition, a total of Ps.33.7 million in the aggregate remains available for those clients which had not an active service as of December 22, 2015.

During 2015, we entered into a settlement agreement with the ENRE (the "ENRE settlement") under which we agreed to pay final penalties imposed on and which have been judicially challenged by us, with an adverse result, for an amount of Ps.85.7 million plus interest of Ps. 84.2 million. These fines were all paid to the Argentine government and not to users.

The following table shows the adjustments to Edenor's standalone accruals for ENRE fines and penalties, including current fines and penalties and adjustments to past fines due to increases in our tariffs pursuant to the Adjustment Agreement, for the periods specified:

	Year ended December 31, *(in millions of Pesos)*															
	2016	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**
Accruals at beginning of year	1,066.8	1,102.8	923.8	647.4	531.9	455.4	377.5	331.6	281.4	241.1	169.7	99.2	63.4	49.0	19.0	13.6
ENRE Fines and Penalties	2,556.7	281.7	278.8	287.5	116.9	81.1	80.0	58.5	34.8	23.9	25.2	72.7	36.0	14.6	31.7	16.4
Accrued interests	-	-	-	-	5.1	-	-	-	-	-	-	-	-	-	-	-
Quality of Technical Service	1,426.4	170.2	177.7	176.3	75.7	47.0	46.0	15.0	15.2	7.0	10.4	4.9	4.7	3.2	5.6	5.2
Quality of Technical Product	383.1	29.0	19.8	18.7	12.4	3.2	3.4	3.1	3.0	0.9	0.6	1.1	6.9	6.5	5.5	2.9
Quality of Commercial Service	41.5	14.2	10.6	13.9	6.8	5.1	3.0	2.4	1.6	1.1	1.2	-	1.2	0.5	1.5	1.7
Public Safety	564.7	64.3	57.5	37.6	17.7	19.8	19.4	34.0	11.6	10.3	6.7	25.4	10.9	2.0	4.9	4.2
Transport Technical Function	0.1	(6.1)	5.4	2.3	0.2	0.6	0.4	0.3	0.3	0.2	0.4	-	0.2	0.2	0.2	-
Reporting Violations	101.9	10.1	6.2	25.8	3.4	4.2	6.6	3.7	2.9	4.4	5.6	33.7	12.2	1.7	4.9	1.9
Others	38.8	-	1.6	13.0	0.9	1.3	1.3	-	-	-	0.2	7.5	-	0.4	9.0	0.5
Less: Paid during period:													-			
Quality of Technical Service	83.5	64.1	85.6	-	-	-	-	-	-	-	-	1.6	-	-	0.9	3.3
Quality of Technical Product	-	54.1	-	-	-	-	-	-	-	-	-	-	-	-	-	2.3
Quality of Commercial Service	6.3	16.8	14.2	11.1	6.5	4.5	1.9	3.7	-	1.5	0.4	0.1	0.1	0.1	0.3	1.4
Public Safety	-	79.8	-	-	-	-	0.1	8.9	1.6	-	-	-	-	-	-	2.1
Transport Technical Function	-	-	-	-	-	-	-	-	-	0.2	0.3	-	-	0.1	0.4	0.2
Others	-	102.9	-	-	-	-	-	-	-	-	-	0.6	-	-	-	1.7
Total paid during period	89.8	317.7	99.8	11.1	6.5	4.5	2.0	12.6	1.6	1.7	0.7	2.3	0.1	0.2	1.6	11.0
Plus: Adjustment to fines and penalties pursuant to the ratification of the Adjustment Agreement	-	-		-	-	-	-	-	17.2	18.1	47.0	-	-	-	-	-
Accruals at year-end	**3,533.5**	**1,066.8**	**1,102.8**	**923.8**	**647.4**	**531.9**	**455.4**	**377.5**	**331.6**	**281.4**	**241.1**	**169.7**	**99.2**	**63.4**	**49.0**	**19.0**

Note: The facts or events that generated the amounts charged in each period may have occurred in prior periods and not necessarily in the period in which the charge is made. For 2016 and 2015, fines and penalties do not include Ps. 166.4 million and 186.3 million under the ENRE settlement, respectively.

Our fines and penalties imposed on us by the ENRE amounted to Ps.2,556.7 million and Ps.281.7 million as of December 31, 2016 and 2015, respectively.

As of December 31, 2016, total accrued fines and penalties imposed on us amounted to Ps.3,533.5 million, of which Ps. 2,156.1 million (including accrued interest) corresponded to penalties accrued but not yet imposed on us and Ps. 1,377.5 million (including accrued interest) correspond to penalties imposed on us but not yet paid.

Through Note No. 120,151 , the ENRE established that all fines and penalties to be imposed after April 15, 2016 (whether with respect to events occurring on or after such date or events occurring prior to the date thereof but for which fines or penalties had not been imposed on us by such date) must be valued according to the VAD or KWh values in effect as of the last date of the semester or period during which the event giving rise to the penalty occurred, including any increases or adjustments applicable to our "remuneration" at such date. In addition, fines and penalties that fall within the purview of the Note will accrue interest from the last date of the semester on which the event giving rise to the penalty occurred until the date they are paid by us.

Additionally, on October 19, 2016, through Note No. 123,091 the ENRE established the average rate values (Ps./KWh) to be applied as from December 2012, for calculating the penalties payable to the Argentine government. In accordance with the terms of the Adjustment Agreement, such values correspond to the average sale price of energy charged to customers. Since the rate values informed in the Note are not consistent with such provision, on November 1, 2016, we submitted a note to the ENRE requesting their rectification as we considered the approach erroneous. As of the date of this annual report, we had not received an answer.

In case the ENRE considers that the average rate values (Ps./KWh) to be applied for the calculation of penalties must include all the amounts received by us in the form of, for example, government grants, the amount of our provision for penalties could increase significantly. However, we believe that such interpretation would be contrary to the terms of the Concession Agreement.

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

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

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

In the case of penalties which had been imposed but remain unpaid, the 30 day interest rate of the Banco Nación corresponding to commercial discounts shall apply, as from the day when the penalty was imposed through the date of payment.

Despite the issuance of Resolution No. 63/2017, the treatment to be given to the penalties and reductions are still pending to be settled.

Disruptions

Due to the disruption in the provision of service in our concession area resulting from a power outage during a heat- wave occurred between December 20 and December 31, 2010, the ENRE issued Resolution No. 32/11 in February 2011 whereby we were fined in the amount of Ps.1.1 million and ordered to compensate those customers who had been affected by power cuts for approximately Ps.21.2

million. We have filed a direct appeal with the Appellate Court in Contentious and Administrative Federal Matters No. 1, requesting that such resolution be declared null and void.

Additionally, we filed a petition for the granting of injunctive relief aimed at suspending the application of the fine imposed until a decision on the direct appeal is rendered. On April 28, 2011, the court denied the request for injunctive relief. As a consequence, we filed a federal extraordinary appeal ("*Recurso Extraordinario Federal*") which was subsequently rejected. We then filed another appeal ("*Recurso de queja por apelación denegada*") with the Supreme Court requesting that the rejected extraordinary federal appeal be sustained. During 2014, the Appellate Court in Contentious and Administrative Federal Matters No. 1, denied the direct appeal requesting such resolution be declared null and granted the extraordinary appeal on the grounds that the matter corresponded to the scope and interpretations of a federal rule but not as to the arbitrariness of the judgment claimed by Edenor. Consequently, we then filed an appeal ("*Recurso de queja por apelación denegada*") requesting that both appeals be entertained jointly. As of December 31, 2016, Edenor estimated a potential obligation of Ps. 52.0 million as a result of Resolution No. 32/2011of the ENRE and registered a provision for this amount in its financial statements for the year ended December 31, 2016.

On November 15, 2012, the Company was notified of the ENRE's Resolution No. 336/2012, pursuant to which the office in charge of enforcing the ENRE's regulations was instructed to immediately initiate the corresponding sanction proceeding so as to have the distribution companies Edenor and Edesur S.A. ("Edesur''): (a) determine the customers affected by the power cuts occurred as a consequence of failures between October 29 and November 14, 2012; (b) determine the discounts to be recognized to each of the affected customers; and (c) credit such discounts towards the final discounts that will result from the evaluation of the Technical Service Quality relating to the six-month control period.

In addition, it was resolved that the Company and Edesur shall compensate each "small demand residential customer" (T1R) who had been affected by the power cuts occurred during the aforementioned period. The amount of the compensation depends on the length of the power cut which must have lasted for more than 12 continuous hours. We have recorded a Ps. 33 million provision in connection with this compensation.

On January 7, 2014, we were notified of Resolution No. 1/2014 of the ENRE ordering the payment of compensation to each user affected by the extreme weather occurring in December 2013 and January 2014. A credit determined by the duration of the interruption of the service was recognized to each affected user in our invoices until such credit was fully cancelled, representing an additional 100% compensation for those users who had been affected by similar interruptions of supply in previous years. The total compensation paid amounted to Ps. 85.7 million.

On March 28, 2016, we were notified of Resolution No. 31/2016 of the ENRE pursuant to which we were instructed to compensate the small residential customers (T1R) who had been affected by the power outages occurred during the period between February 12, 2016 and February 18, 2016. The amount of each such compensation depended on the duration of each relevant power outage. The total compensation paid amounted to Ps. 73 million, and was credited to invoices issued as of April 25, 2016.

Foreclosure on the Pledge of Our Class A common shares or Revocation of Our Concession

Pursuant to the terms of the Adjustment Agreement, the Argentine government may foreclose on the pledge of Edenor Class A common shares and sell them in a public bidding process if any of the following occurs:

- Edenor incurs penalties in excess of 20% of our gross energy sales, net of taxes (which corresponds to our energy sales) in any given year;
- EASA, fails to obtain the ENRE's approval in connection with the disposition of our Class A common shares;
- material and repeated breaches of the Concession are not remedied upon request by the ENRE;
- EASA creates any lien or encumbrance on our Class A common shares (other than the existing pledge in favor of the Argentine government);

- EASA or Edenor obstruct the sale of the Class A common shares at the end of any management period according to the terms of the Concession;
- our shareholders amend our articles of incorporation or voting rights in a way that modifies the voting rights of the Class A common shares without the ENRE's prior approval; or
- our shareholders or former shareholders fail to desist from any ICSID claim brought against the Argentine government following the completion of the RTI process and the approval of a new tariff regime.

On February 1, 2017, the ENRE issued Resolution No. 63/17 establishing the new tariff scheme which resulted from the completion of the RTI process, applicable to the following five-year period. Pursuant to the provisions of the Adjustment Agreement, EASA and EDFI withdrew their ICSID claim, and on March 28, 2017, the ICSID took note of the discontinuance of the procedure. See "Item 7. Major Shareholders and Related Party Transactions - Acquisition by Central Térmica Loma de la Lata S.A".

Upon the occurrence of any of these events, the Argentine government will have the right to foreclose on the pledge of our Class A common shares and exercise the voting rights of the Class A common shares until the transfer of such shares to a new purchaser occurs, at which time EASA will receive the proceeds of such transfer, net of a specified penalty payable to the Argentine government.

In addition, under the terms of our concession, the Argentine government has the right to revoke our concession if we enter into bankruptcy and the Argentine government decides that we may not continue rendering services, in which case all of our assets will be transferred to a new state-owned company that will be sold in an international public bidding process. At the conclusion of this bidding process, the purchase price would be delivered to the bankruptcy court in favor of our creditors, net of any debt owed by us to the Argentine government. Any residual proceeds would be distributed among our shareholders.

Periodic bidding for control of Edenor

Before the end of each management period under our concession, the ENRE will arrange for an international public bidding procedure to be conducted for the sale of 51% of our capital stock and voting rights in similar conditions to those under which EASA acquired its stake. EASA (or its successor) will be entitled to participate in the bid. The person or group offering the highest price will acquire the stock and will pay the offered price to EASA. If EASA is the highest bidder or if EASA's bid equals the highest bid, it will retain 51% of our stock, but no funds will need to be paid to the Argentine government and EASA will have no further obligation with respect to its bid. There is no restriction as to the amount EASA may bid. In the event EASA fails to submit a bid or its bid is lower than the highest bid, the Class A common shares will be transferred to the highest bidder and the price paid by the purchaser (except for any amounts owed to the Argentine government) will be delivered to EASA. See "Item 7. Major Shareholders and Related Party Transactions - Acquisition by Central Térmica Loma de la Lata S.A".

The first management period was set to expire on August 31, 2007. We presented a request for a five-year extension of the initial management period in May 2007 and on July 5, 2007, the ENRE, pursuant to the Resolution No. 467/2007 of the ENRE, agreed to extend the initial management period for an additional five years from the date that the new tariff structure was adopted under the RTI. The remaining 10-year periods will run from the expiration of the extension of the initial management period.

Default of the Argentine government

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

Edenor Network

As of December 31, 2016, the system through which we supply electricity was composed of 76 sub-stations of high/high voltage, high/medium voltage and high voltage customers, representing 16,219 MVA of transformer capacity installed and 1,452 kilometers of high-voltage power lines of 220 kV, 132 kV and 27.5 k. The distribution system of medium and low voltage was comprised of 17,339 transformers of medium/low voltage, representing 7,370 MVA of transformer capacity, 10,437 kilometers of medium-voltage power lines of 33 and 13.2 kV and 26,549 kilometers of low-voltage power lines 380 V.

The following table provides certain information concerning our transmission and distribution system as of the dates presented:

	As of December 31,		
	2016	**2015**	**2014**
Kilometers of transmission lines			
High voltage	1,452	1,438	1,410
Medium voltage	10,437	10,189	9,979
Low voltage	26,549	26,236	25,882
Total	**38,438**	**37,863**	**37,271**
Transformer capacity (MVA)			
High voltage/high voltage	8,428	8,128	7,828
High voltage/medium voltage	7,791	7,691	7,131
Medium voltage/low voltage and medium voltage/medium voltage	7,668	7,158	6,897
Total	**23,887**	**22,977**	**21,856**

Demand is provided from points of interconnection with the Argentine Interconnection System (*Sistema Argentino de Interconexión*, or SADI), 500 kV and 220 kV Rodríguez Substation, 220 kV and 132 kV Ezeiza Substation and from the local power plants Puerto and Costanera. In turn, the transmission network links these nodes with head sub-stations of 220 kV -Casanova, Colegiales, Malaver, Matheu, Morón, Rodríguez, Talar and Zappalorto- and 132 kV -Matanza, Ramos Mejía, Agronomía, Puerto Nuevo, Edison, Malvinas and Pilar-.

The transmission and distribution system, together with the Edesur S.A and Edelap S.A. ("Edelap") systems, forms the Greater Buenos Aires (GBA) system. The GBA system is operated by Sociedad Anónima Centro de Movimiento de Energía (SACME), which is jointly administrated by Edesur and us (50% of SACME shares are owned by Edesur and us). SACME is responsible for the management of regional high-voltage distribution, coordinating, controlling and supervising the operation of the generation, transmission and distribution network in the City of Buenos Aires and the greater Buenos Aires metropolitan area, including coordination with the SADI in Edenor and Edesur's concession areas.

We distribute energy from the sub-stations of high/medium voltage through the primary 13.2kV and 33kV system to a secondary 380/220 V low-voltage system, supplying end users with different voltage levels according to their requirements. In exceptional cases, we supply high voltage energy to certain users.

Construction works related to the extension of the transformations system 220/132 kV in Rodriguez Substation were completed in 2016, increasing its capacity from 300 MVA to 600 MVA. Furthermore, we continue working towards the installation of a new transformer of 500/220 kV and 800 MVA in the Rodriguez Substation, with financing from the Administration of Transport and Electric Supply Works Trust (FOTAE). We believe that this addition will allow us to meet the increasing energy demand in the medium and long term throughout our concession area. See "Item 5. Operating and Financial Review and Prospects—Factors Affecting Our Results of Operations—Demand—Capacity Demand". As an intermediate step, we are working on the assembly of a 500/132 kV and 300 MVA capacity transformer.

Under the framework of Resolution No. 21/16 of the SE, thermal generation projects related to Edenor's electric network have been awarded for approximately 650 MW, starting operations in 2017.

Works to expand Edesur's substation Ezeiza 220/132 kV are also ongoing, which will increase its capacity by 300 MVA, and will be available to Edenor, and new 132 kV electroducts between such substation and the El Pino substation.

During 2016, several high-voltage facilities were put into service in the high voltage grid:

- ✓ New Substations:
  - Olivos 132/13.2 kV 2x80 MVA.
  - Aguas 132/13.2 kV 2x40 plus 1x20 MVA.
  - Aeroclub 132/13.2 kV 2x80 MVA.
  - Gaona 132/33/13.2 kV 4x40 MVA.
- ✓ Substations' expansion:
  - Morón from 132/13,2 kV from 3x40 MVA to 2x40 plus 1x80 MVA
  - Suarez 132/13.2 kV from 2x40 MVA to 2x80 MVA.
  - Tapiales 132/13.2 kV from 2x40 MVA to 2x80 MVA.
  - Pantanosa 132/13.2 kV increasing by 40 MVA.
  - José C. Paz 132/13.2 kV increasing by 120 MVA.
  - Urquiza 132/13.2 kV to 3x40 MVA.

Systems

Throughout 2016, we continued implementing significant improvement into our technological platform, thus consolidating our leading position in the field. Some of our main projects were:

- The implementation of the "Technical Project" was completed, which represented one of the most important projects in our history. It consists of an integral management software for all the assets comprising the Company's premises and workforce.

- As a result, a significant knowledge of the network was achieved, improving maintenance efficiencies and reducing the sustained rate of system failure. In addition, effective task management was significantly improved as a result of the enhancement of programming, task dispatch, work planning and the reduction of electrical outage.

- In connection with the CC&B central system (Customer Service and Billing), the adjustments generated by the modification of tariffs required certain changes such as to: the frequency of invoices (from bimonthly to monthly), the application of the social tariff and to invoice design. Moreover, a new support and billing delivery control system was implemented, as well as new payment methods through online third-party platforms (such as Pago Facil) and the use of credit cards introduced.

- With respect to the Edenor 2.0 System for mobile phones and Edenor's website, the second update phase was initiated so as to streamline the relationship with customers and to enable them to interact with us, including by posting questions and paying bills without having to go to our commercial offices.

- Throughout 2016, new credit card payment functions were developed. In addition, support services were introduced to allow customers to carry out 85% of online transactions. Accordingly, it is currently easier for customers to manage their accounts. A virtual chat tool was also implemented, thus offering a new 24/7 assistance channel.

- In connection with the SAP System, new modules were implemented as well as significant improvements to our management system such as in connection with the management of contracts and administrative processes in digital platforms to reduce time and provide transparency. Moreover, new modules of the management system in the central warehouse were implemented.

A mobile application was also implemented which enables to make system procedure approvals through the use of mobile phone lines by the executives of the Company.

- We implemented the "Remedy", a new ticket registration system that enables us to unify and order the processes of the IT and Telecommunications Directorate, by providing a higher quality service in terms of time and response, thus achieving greater traceability of the different processes, that is indispensable for our SOX certification.

- The performance management module within the "success factor tool" was acquired and implemented, which enables us to manage the performance and development of our staff to better achieve the Company's results through the alignment of plans and objectives.

- A digital board system (Edenor TV) was implemented to address customers who use the monitors located in our commercial offices.

- The Smartime Phase II implementation was carried out, by including referral and/or control workflows.

- In the technology and operations sectors, improvement in terms of applications availability and performance were achieved by means of the implementation of new technologies and processes, such as a new information storage equipment, achieving a 300% improvement in terms of the processing of main systems, the expansion of the number of servers supporting the operations and the update of mobile computers and a third of the total number of desktop equipment.

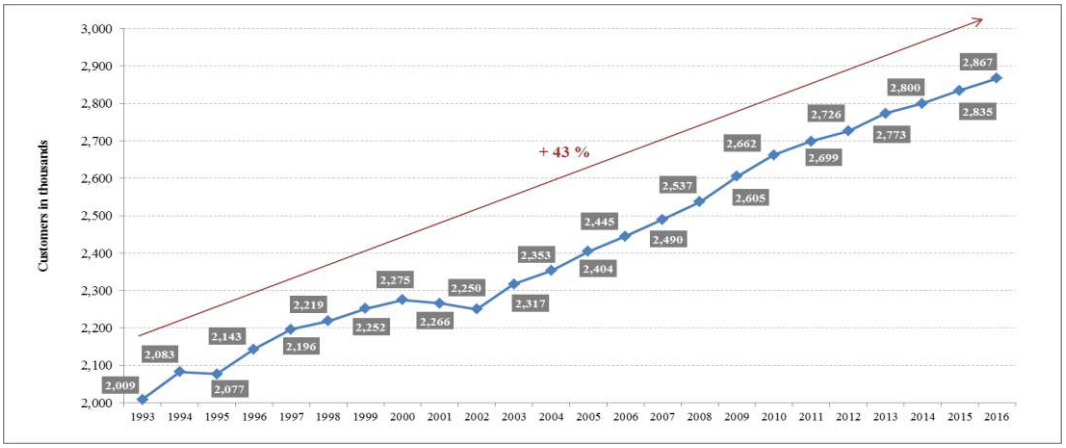
Telecommunications

During 2016:

- The connectivity deployment of the Transformation Centers (CT) was initiated to allow remote control from the network control center over network medium voltage control elements. This will enable us to reestablish the service in the event of a failure in a shorter period of time thus improving the quality of the electrical service rendered.
- A new technology to improve communications and optimize the equipment of 20 substations was acquired.
- Part of the call center infrastructure was partially migrated to a new service provider located in the province of Tucumán with 55 assistance positions and 7 supervising positions.
- A high availability corporate internet service was implemented, which connects directly to the cloud so as to improve connectivity by offering a better-quality service to all internet applications.
- New video surveillance systems were installed and some were migrated to the new control and intrusion system. Certain works were carried out such as: (1) the installation and startup of the telecommunications or structured wiring of new locations; (2) the startup of new sectors and commercial offices; (3) the installation of fiber optic cable which enabled a high-speed connection with sub stations Corralón, SE. Olivos, Morón Sector and Ituzaingó offices; and (4) the beginning of the connections in Nuevo Puerto and Substation Puerto Nuevo of the new SMEC meters.

Customers

The following graph shows the evolution of our customer base through December 31 of each year:



As of December 31, 2016, Edenor served 2,867,250 customers. We define a "customer" as one meter.

Edenor Tariff Categories

Edenor classifies its customers pursuant to the following tariff categories:

- Residential (T1-R1 to T1-R9): residential customers whose peak capacity demand is less than 10kW. In 2016, this category accounted for approximately 43.6% of our electricity sales.
- Small commercial (T1-G1 to T1-G3): commercial customers whose peak capacity demand is less than 10kW. In 2016, this category accounted for approximately 8.2% of our electricity sales.
- Medium commercial (T2): customers whose peak capacity demand is equal to or greater than 10kW but less than 50kW. In 2016, this category accounted for approximately 8.2% of our electricity sales.
- Industrial (T3): industrial customers whose peak capacity demand is equal to or greater than 50kW. This category is applied to high-demand customers according to the voltage at which each customer is connected. The voltage ranges included in this category are the following: (i) Low Voltage (LV): voltage less than or equal to 1 kV; (ii) Medium Voltage (MV): voltage greater than 1kV but less than 66 kV; and (iii) High Voltage (HV): voltage equal to or greater than 66kV. In 2016, this category accounted for approximately 16.5% of our electricity sales. This category does not include customers who purchase their electricity directly through the WEM under the wheeling system.
- Wheeling System: large users who purchase their electricity directly from generation or broker companies through the WEM. These tariffs follow the same structure as those applied under the Industrial category described above. As of December 31, 2016, the total number of such large users was 713, and in 2016 this category represented approximately 18% of our electricity sales.
- Others: public lighting (T1-PL) and shantytown customers whose peak capacity demand is less than 10kW. In 2016, this category accounted for approximately 5.5% of our electricity sales. See "Framework Agreement (Shantytowns)".

We try to maintain an accurate categorization of our customers in order to charge the appropriate tariff to each of its customers. In particular, we focus on our residential tariff categorizations to both minimize the number of commercial and industrial customers who are classified as residential customers and identify residential customers whose peak capacity demand exceeds 10kW and therefore do not qualify as residential customers.

We rely on the following measures to detect incorrectly categorized customers:

- reporting by our employees tasked with reading meter information to identify observed commercial activities which are being performed by residential customers,
- conducting internet surveys to identify advertisements for commercial services (such as medical or other professional services) that are linked to a residential customer's address, and

- analyzing customer demand to determine whether we should further evaluate the peak capacity demand of a given customer whose use might exceed 10kW.

Reading, Billing and Collecting

We bill our customers based on their category of service. Residential and small commercial customers are billed a fixed charge payable monthly and a variable charge based on each unit of energy consumed. The energy consumption savings obtained by customers are calculated by comparing the current consumption with the customer's consumption registered on the same period in 2015. As of January 29, 2016, since the issuance of Resolution No. 1/16, the ENRE established a new billing schedule on a monthly basis maintaining consumption readings on a bimonthly basis. On February 1, 2017, the ENRE issued Resolution No. 63/2017 establishing a new tariff schedule, which maintains the billing methodology described above.

Our residential and small commercial customers are divided into subcategories based on their consumption, as follows:

Residential (Tariff 1-R or T1-R):

- Tariff 1-R1: bimonthly energy consumption less than or equal to 300 kWh;
- Tariff 1-R2: bimonthly energy consumption greater than 301 kWh and less than or equal to 650 kWh;
- Tariff 1-R3: bimonthly energy consumption greater than 651 kWh and less than or equal to 800 kWh;
- Tariff 1-R4: bimonthly energy consumption greater than 801 kWh and less than or equal to 900 kWh;
- Tariff 1-R5: bimonthly energy consumption greater than 901 kWh and less than or equal to 1000 kWh;
- Tariff 1-R6: bimonthly energy consumption greater than 1001 kWh and less than or equal to 1200 kWh;
- Tariff 1-R7: bimonthly energy consumption greater than 1201 kWh and less than or equal to 1400 kWh;
- bimonthly energy Tariff 1-R8: bimonthly energy consumption greater than 1401 kWh and less than or equal to 2800 kWh; and
- Tariff 1-R9: bimonthly energy consumption greater than 2800 kWh.

Social Tariff

The social tariff applies to the same subcategories of residential tariff, but without a variable charge for the first 150 kWh monthly consumption.

To qualify for the social tariff, customers must comply with one of the following characteristics:

- retirees or pensioners who receive two gross minimum wages or less;
- workers in employment relationships that earn two gross minimum wages or less;
- self-employed individuals falling in categories that correspond to annual income which monthly break out reaches two minimum gross wages or less;
- grantees of social programs;
- registered in the self-employed (monotributista) social category;

- grantees of non-contributory pensions with gross income equal to or less than two minimum wages;
- grantees of unemployment insurance;
- domestic service incorporated into the relevant special social security scheme;
- holders of the Lifetime Pension for Veterans of the South Atlantic War;
- persons with disability certificate issued by a competent authority; and
- persons suffering or living with another person suffering from an illness whose treatment involves electrodependence (in this case, the variable charge for the first 600 KWh monthly consumption is free).

Small commercial (Tariff 1-G):

- Tariff 1-G1: bimonthly energy demand less than or equal to 1600 kWh
- Tariff 1-G2: bimonthly energy demand greater than 1600 kWh but less than or equal to 4000 kWh
- Tariff 1-G3: bimonthly energy demand greater than 4000 kWh

Medium Commercial (Tariff 2):

Medium commercial customers (demand greater than 10 kW but less than 50 kW - Tariff T2) are billed on a monthly basis, as follows: (1) a fixed charge per invoiced issued; (2) a fixed charge per each "scope of supply" of KW capacity agreed; (3) a fixed charge based on a maximum KW capacity (applicable to the maximum capacity registered during the billing period); (4) a variable charge based on each unit of energy consumed, without hour discrimination; and, (4) if applicable, a cos phi surcharge.

Industrial (Tariff 3):

Industrial customers (demand equal or greater than 50 kW - Tariff T3) are billed on a monthly basis, as follows: (1) a fixed charge per invoice issued; (2) a fixed charge per each "scope of supply" of KW capacity agreed for low, medium or high voltage, with or without electricity consumption; (3) a fixed charge based on a maximum KW capacity registered, in low, medium or high voltage, applicable to the maximum capacity registered during the billing period; (4) a charge resulting from the electricity supplied in the voltage corresponding to the provision, in accordance with the consumption registered in each of the tariff timetables: "peak", "night-time" and "remaining hours"; (5) if the supply is carried out in continuous current, a surcharge equivalent to a percentage of the price of the rectified electricity; and (6), if it is applicable, a cos phi surcharge.

Public Lighting (AP):

Public lighting customers are billed a monthly variable energy charge based on each unit of energy consumed.

The table below shows the number of Edenor customers per category at the dates indicated.

	As of December 31,		
	2016	**2015**	**2014**
T1R	2,497,386	2,467,757	2,443,670
T1G	327,198	325,149	317,237
T2	34,662	34,477	32,526
T3	6,856	6,706	6,552
Wheeling system	714	708	710
Other*	434	432	426
Total	**2,867,250**	**2,835,229**	**2,801,121**

* Represents public lighting and shantytown customers.

All of the meters are read with portable meter-reading terminals, either with manual access or optical reading (in the case of electronic meters for T2, T3 and certain T1customers). The systems validate the readings, and any inconsistent reading is checked and/or corrected before billing. Estimates of customer usage were significantly reduced as a result of this new billing system. Once the invoices are printed, independent contractors in each operating area, that are subject to strict controls, distribute them.

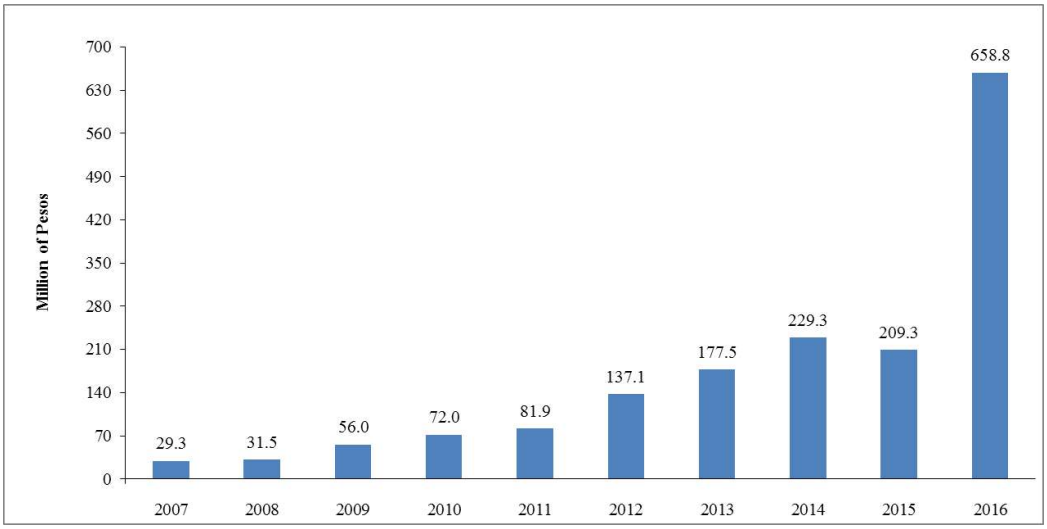
Slow-Paying Accounts and Past Due Receivables

Since the beginning of the concession, many procedures have been established to reduce delinquency and make collection possible. Our Commercial Department oversees the strict observance of such procedures.

Municipalities' accounts form a significant number of our arrears accounts. The methods of collection on such arrears vary for each municipality. One method of collection is to withhold from the municipalities certain taxes collected by us from the public on behalf of the municipalities and using such taxes to offset any past due amounts owed to us by such municipalities. Another method of collection is entering into refinancing agreements with the municipalities. These procedures allowed us to reduce significantly the number of arrears accounts.

Our past due receivables increased from Ps. 209.3 million as of December 31, 2015 to Ps. 658.8 million as of December 31, 2016. This increase was mainly due to the increase in tariffs established by ENRE Resolution No. 1/2016, in February 2016. The tariff increase affected directly the amounts owed by customers with debtor behavior, as their unpaid charges are calculated based on the tariff in force as of the date of the infringement. The provisional remedies issued against the tariff increase mentioned above that were in effect in certain districts, prevented us from taking actions (such as the suspension of the electricity supply) to rectify delinquent customer situations. As a result, we were unable to reduce the impact of our past due receivables.

The following graph shows Edenor delinquent balances as of December 31, of each year:



We also supply energy to low-income areas pursuant to the framework agreement with the Argentine government and the Province of Buenos Aires, for which certain payments are still owed to us. See "Framework Agreement (Shantytowns)".

Energy Losses

Energy losses are equivalent to the difference between energy purchased and energy sold, and may be classified as technical and non-technical losses. Technical losses represent the energy that is lost during transmission and distribution within the network as a consequence of natural heating of the transformers and conductors that transmit the electricity from the generating plants to the customers. These losses typically increase in proportion to the amount of energy volume distributed (as has been the case for us in recent years). Technical losses are normal for any energy distributor and cannot be completely eliminated, though reduced through improvements in the network. We believe that the level of technical energy losses is approximately 9% in countries with similar distribution networks. The non-technical energy losses represent the remainder of our energy losses mainly due to the illegal use of its services and administrative and technical errors.

Energy losses require us to purchase additional energy to satisfy apparent demand, thereby increasing costs. Furthermore, illegally tied-in customers typically consume more electricity than the average level of consumption for their category. We are unable to recover from customers the cost of electricity purchased beyond the average loss factor set at 10% pursuant to our concession. Therefore, the reduction of energy losses reduces the amount of energy we have to purchase to satisfy apparent demand but cannot invoice, and increases the amount of electricity actually sold.

At the time of the privatization of the electricity sector in 1992, our total energy losses were approximately 30%. At that time, our non-technical losses were estimated at 21%, with over half of that amount due to fraud and illegal use of our service. In response to the high level of losses, we implemented a loss reduction plan in 1992, which emphasized on accurate measurement of energy consumption through periodic inspections, reduction of administrative errors, regularization of shanty towns, reduction of illegal direct connections, provision of services to shantytowns and reduction of technical losses.

At present, our goal is to maintain our energy losses at an optimal level, taking into account the cost of reducing such losses and the level at which we are reimbursed for the cost of these losses under our concession. Our procedures for maintaining an optimal level of losses are focused on improving collections to ensure that customers pay for all the energy that they consume and making investments in our network to control technical losses. To reduce the theft of electricity we have implemented vigilance and special technologies, such as much higher networks that cannot be reached using normal ladders, shields close to the electricity posts, concentric cables, shielded meters and suspension of electricity service, among other remedies.

Moreover, we are testing other programs including teaching low-income customers how to ration their consumption, providing them with the option of paying in installments and the installation of prepaid meters, which reached a number of 8,000 prepaid meters installed in 2016. A large installation plan for this type of meters will be implemented since 2017.

In Regions II and III of our concession area, low-income neighborhoods continue to be detected and shantytowns have expanded. Energy theft remains the main cause of the increase in total energy losses within such regions. Throughout 2016, we continued working with the support of legal counsel to file criminal complaints against such frauds and to establish new technological criteria in order to reduce the vulnerabilities of the grid.

The following table illustrates our estimates of the approximate breakdown between technical and non-technical energy losses experienced in our concession area since 2007. We believe that non-technical losses could increase in 2017 following the establishment of the new tariff structure pursuant to Resolution No. 63/2017 issued by the ENRE.

	Year ended December 31,										
	2016	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**
Technical losses	9.6%	11.1%	10.8%	10.3%	10.5%	9.8%	9.8%	9.8%	9.8%	9.6%	8.6%
Non technical losses	7.4%	3.8%	3.5%	2.7%	2.8%	2.8%	2.7%	2.1%	1.0%	2.0%	2.5%
Total losses	**17.0%**	**14.9%**	**14.3%**	**13.0%**	**13.3%**	**12.6%**	**12.5%**	**11.9%**	**10.8%**	**11.6%**	**11.1%**

As of December 31, 2016, total energy losses recorded by us were 17.0%, out of which technical losses represented 9.6% and non-technical losses represented 7.4%.

Framework Agreement (Shantytowns)

In accordance with the terms of our concession and given the nature of public service that the law grants to the distribution of electricity, the Company is required to supply electricity to all users within the concession area, including low-income areas and shantytowns located within our concession area. In October 2003, Edenor, Edesur and Edelap entered into a framework agreement with the Argentine government and the Province of Buenos Aires (the "2003 Framework Agreement") to regulate the supply of electricity to low-income areas and shantytowns. Under the 2003 Framework Agreement, the Company has the right to receive compensation for the services provided to shantytowns from funds collected from residents of each relevant shantytown, the Municipality in which it is located and, if there is a shortfall, by a special fund supported by the Argentine government and the government of the Province of Buenos Aires. The Argentine government and the Province of Buenos Aires contribute an amount equal to 21% and 15.5% of such compensation, respectively, net of taxes, paid by those customers with payment problems and meter irregularities, which are transferred to distributors such as Edenor as compensation. On June 23, 2008, Edenor entered into an amendment to the 2003 Framework Agreement (the "Amended 2003 Framework Agreement") with the Argentine government, the Province of Buenos Aires and the other national electric distributors extending the terms of the 2003 Framework Agreement. This Amended 2003 Framework Agreement expired on December 31, 2010.

On July 22, 2011, the Company, together with Edesur and Edelap, entered into an addendum with the Argentine government and the government of the Province of Buenos Aires, to extend for an additional term of four years (from January 1, 2011, to December 31, 2014) the Amended 2003 Framework Agreement. Such extension was approved on September 21, 2012 by Resolution No. 248/12 issued by the ENRE and ratified by the Ministry of Planning pursuant to Resolution No. 247/12. As of December 31, 2014 the Agreement expired.

With regard to the accounts receivable we had against the Province of Buenos Aires, on October 18, 2012 we entered into an agreement for the settlement of non-financial obligations and subscription of Buenos Aires Province government bonds, pursuant to which we agreed to receive an amount of Ps. 0.3 million in cash and subscribe Series B bonds for a residual nominal value of Ps. 6.1 million, in compensation for the debt that the Buenos Aires Province had with us for the electric power supplied to low-income areas, as of December 31, 2010.

On May and July, 2016, we received payments for Ps. 11.4 million and Ps. 53.5 million, respectively, from the provincial and the Argentine governments corresponding to 2014 period.

Given that as of the date of this annual report the approval of the new Framework Agreement for the period from January 1, 2015 to December 31, 2018, by the Argentine government and the government of the Province of Buenos Aires is pending, no additional revenue in connection with compensation for service provided to shantytowns has been recognized, which as of December 31, 2016, amounted to Ps. 92.4 million.

As of December 31, 2016, 2015 and 2014, our receivable balances with the Argentine government and the government of the Province of Buenos Aires for the supply of electricity to shantytowns amounted to Ps. 8.2 million, Ps. 73.1 million and Ps. 75.8 million, respectively.

Insurance

As of December 31, 2016, we had insurance for loss and damage to property, including damage due to floods, fires and earthquakes covering up to U.S.$ 1,515.61 million, with the following deductibles:

- transformers, between U.S.$ 175,000 and U.S.$ 850,000 (depending on their power level);
- equipment of sub-stations (not including transformers), U.S.$ 75,000.
- commercial offices, U.S.$ 1,500 for each office;
- deposits and other properties, U.S.$ 25,000; and
- acts of terrorism, U.S.$ 50,000, being the maximum insured amount for this purpose, U.S.$ 10,000,000.

We are also insured against theft of safe-deposit boxes and cash/valuables-in-transit for a maximum amount of U.S.$ 150,000 and U.S.$ 5,000, respectively, with a deductible of U.S.$ 250.

In addition, we maintain the following insurance, subject to customary deductibles and the conditions established for each coverage:

- Directors' and Managers' Liability insurance;
- Civil Liability insurance;
- Automobile insurance;
- Mandatory life insurance for all our employees which is maintained in accordance with Argentine law; and
- Optional life insurances for all our employees.

Although we do not have business interruption insurance, we consider our insurance coverage to be adequate and in accordance with the prevailing standards for the industry. See "Item 3. Key Information—Risk Factors—Risks Relating to Our Business—In the event of an accident or other event not covered by our insurance, we could face significant losses that could materially adversely affect our business and results of operations".

Environmental Management

In Argentina, the Argentine government, the provincial governments and the government of the City of Buenos Aires are entitled to legislate on natural resources and environmental protection issues. The 1994 Constitution reaffirms this principle, assigning to the Argentine government the establishment of broad environmental guidelines and to the provincial governments and to the government of the City of Buenos Aires the duty to implement the necessary legislation to attain national environmental goals. The environmental policy for the electricity market is formulated by the SE and implemented by the ENRE. Areas regulated by the ENRE include the tolerance level for electromagnetic fields, radio interference, voltage of contact and pass, liquid spills, disposal and handling of solid wastes, noise and vibration admissible levels and use, and the transport and storage of hazardous waste, including

polychlorinated biphenyl (PCB), a viscous substance which was historically used to lubricate electrical transformers. The Argentine Environmental Law required that we eliminate the PCB in our transformers before the end of 2010.

Over the course of 2009, we completed the removal of PCBs from all our transformers with contaminated coolant oils exceeding 50 ppm (parts per million), the limit established by National Law No. 25,670.

As part of our investment plan, we made important improvements to our network and implemented technological innovations which reduced the impact of these improvements on the environment. We are required to apply for licenses from the ENRE for all our business activities, which include certain requirements related to environmental protection. We believe that we are in compliance in all material respects with all applicable environmental standards, rules and regulations established by the ENRE, the SE and other federal, provincial and municipal authorities. We have implemented environmental management programs to evaluate environmental impact and to take corrective actions when necessary. In addition, we have in place an environmental emergency plan designed to reduce potential adverse consequences should an environment contingency occur. Finally, as part of our environmental actions, we improved and deepened the program of rational uses of energy in our buildings and in our customer equipment.

Regarding the addition of new installations and related construction works, all of the studies corresponding to the Environmental Impact Evaluation required by law are being made. These analyses are presented to local environmental authorities and submitted to consideration of the local communities in Public Audiences held as required by applicable regulations for the issuance of an Environmental Aptitude Certificate.

On October 19, 1999, the Argentine Institute of Normalization (*Instituto Argentino de Normalización*) certified that we have an Environmental Management System that is in accordance with the requirements of the standards set by the International Standardization Organization (ISO) as specified in its release, ISO 14001, which relates specifically to environmental management systems. This certification is reaffirmed on an annual basis, most recently as of December 2016.

Section 22 of law No. 25,675 requires all persons whose activities risk environmental damage, such as us, to obtain environmental insurance up to a certain minimum coverage.

Moreover, we have an environmental emergency plan that details the steps that would be taken in the event that our operations resulted in any environmental damage.

Seasonality

Demand for our services fluctuates on a seasonal basis. For a discussion of this seasonality of demand, see "Item 5. Operating and Financial Review and Prospects—Demand —Seasonality of Demand".

THE ARGENTINE ELECTRICITY INDUSTRY

Historical Background

Electricity was first made available in Argentina in 1887 with the first public street lighting in Buenos Aires. The Argentine government's involvement in the electricity sector began in 1946 with the creation of the *Dirección General de Centrales Eléctricas del Estado* (General Directorate of Electric Power Plants of the State) to construct and operate electricity generation plants. In 1947, the Argentine government created *Agua y Energía Eléctrica S.A.* (Water and Electricity, or AyEE) to develop a system of hydroelectric generation, transmission and distribution for Argentina.

In 1961, the Argentine government granted a concession to the *Compañía Italo Argentina de Electricidad* (Italian-Argentine Electricity Company, or CIADE) for the distribution of electricity in a part of the City of Buenos Aires. In 1962, the Argentine government granted a concession formerly held by the *Compañía Argentina de Electricidad* (Argentine Electricity Company, or CADE) to *Servicios*

Eléctricos del Gran Buenos Aires (Electricity Services of Greater Buenos Aires, or SEGBA), our predecessor, for the generation and distribution of electricity to parts of Buenos Aires. In 1967, the Argentine government granted a concession to Hidroeléctrica Norpatagónica S.A. (Hidronor) to build and operate a series of hydroelectric generation facilities. In 1978, CIADE transferred all of its assets to the Argentine government, following which CIADE's business became government-owned and operated.

By 1990, virtually all of the electricity supply in Argentina was controlled by the public sector (97% of total generation). The Argentine government had assumed responsibility for the regulation of the industry at the national level and controlled all of the national electricity companies, AyEE, SEGBA and Hidronor. The Argentine government also represented Argentine interests in generation facilities developed or operated jointly with Uruguay, Paraguay and Brazil. In addition, several of the Argentine provinces operated their own electricity companies. Inefficient management and inadequate capital spending, which prevailed under national and provincial government control, were in large measure responsible for the deterioration of physical equipment, decline in quality of service and proliferation of financial losses that occurred during this period.

In 1991, as part of the economic plan adopted by former President Carlos Menem, the Argentine government undertook an extensive privatization program of all major state-owned industries, including within the electricity generation, transmission and distribution sectors. In January 1992, the Argentine federal congress adopted the Regulatory Framework Law (Law No. 24,065), which established guidelines for the restructuring and privatization of the electricity sector. The Regulatory Framework Law, which continues to provide the framework for regulation of the electricity sector since the privatization of this sector, divided generation, transmission and distribution of electricity into separate businesses and subjected each to appropriate regulation.

The ultimate objective of the privatization process was to achieve a reduction in tariffs paid by users and improve quality of service through competition. The privatization process commenced in February 1992 with the sale of several large thermal generation facilities formerly operated by SEGBA, and continued with the sale of transmission and distribution facilities (including those currently operated by our company) and additional thermoelectric and hydroelectric generation facilities.

Regulatory and Legal Framework

Role of the Government

The Argentine government has restricted its participation in the electricity market to regulatory oversight and policy-making activities. These activities were assigned to agencies that have a close working relationship with one another and occasionally even overlap in their responsibilities. The Argentine government has limited its holding in the commercial sector to the operation of international hydropower projects and nuclear power plants. Provincial authorities followed the Argentine government by divesting themselves of commercial interests and creating separate policy-making and regulatory entities for the provincial electricity sector.

Limits and Restrictions

To preserve competition in the electricity market, participants in the electricity sector are subject to vertical and horizontal restrictions, depending on the market segment in which they operate.

Vertical Restrictions

The vertical restrictions apply to companies that intend to participate simultaneously in different sub-sectors of the electricity market. These vertical restrictions were imposed by Law No. 24,065, and apply differently depending on each sub-sector as follows:

Generators

- Under Section 31 of Law No. 24,065, neither a generation company, nor any of its controlled companies or its controlling company, can be the owner or a majority shareholder of a transmitter company or the controlling entity of a transmitter company; and
- Under Section 9 of Decree No. 1398/1992, since a distribution company cannot own generation units, a holder of generation units cannot own distribution concessions. However,

the shareholders of the electricity generator may own an entity that holds distribution units, either as shareholders of the generator or through any other entity created with the purpose of owning or controlling distribution units.

Transmitters

- Under Section 31 of Law No. 24,065, neither a transmission company nor any of its controlled companies or its controlling entity can be the owner or majority shareholder or the controlling company of a generation company;
- Under Section 31 of Law No. 24,065, neither a transmission company, any company controlled by a transmission company nor any company controlling a transmission company can own or be the majority shareholder or the controlling company of a distribution company; and
- Under Section 30 of Law No. 24,065, transmission companies cannot buy or sell electricity.

Distributors

- Under provision 31 of Law No. 24,065, neither a distribution company, nor any of its controlled companies or its controlling company, can be the owner or majority shareholder or the controlling company of a transmission company; and
- Under Section 9 of Decree No. 1398/1992, a distribution company cannot own generation units. However, the shareholders of the electricity distributor may own generation units, either directly or through any other entity created with the purpose of owning or controlling generation units.

Definition of Control

The term "control" referred to in Section 31 of Law No. 24,065 (which establishes vertical restrictions) is not defined in the Electricity Regulation Framework. Section 33 of the Argentine Corporations Law states that "companies are considered as controlled by others when the holding company, either directly or through another company: (1) holds an interest, under any circumstance, that grants the necessary votes to control the corporate will in board meetings or ordinary shareholders' meetings; or (2) exercises a dominant influence as a consequence of holding shares, quotas or equity interest or due to special linkage between the companies." We cannot assure you, however, that the electricity regulators will apply this standard of control in implementing the restrictions described above.

Horizontal Restrictions

In addition to the vertical restrictions described above, distribution and transmission companies are subject to horizontal restrictions, as described below.

Transmitters

- According to Section 32 of Law No. 24,065, two or more transmission companies can merge or be part of the same economic group only if they obtain an express approval from the ENRE. Such approval is also necessary when a transmission company intends to acquire shares of another electricity transmission company;
- Pursuant to the concession agreements that govern the services rendered by private companies operating transmission lines above 132Kw and below 140Kw, the service is rendered by the concessionaire on an exclusive basis over certain areas indicated in the concession agreement; and
- Pursuant to the concession agreements that govern the services rendered by the private company operating the high-tension transmission services equal to or higher than 220Kw, the company must render the service on an exclusive basis and is entitled to render the service throughout the entire country, without territorial limitations.

Distributors

- Two or more distribution companies can merge or be part of the same economic group only if they obtain an express approval from the ENRE. Such approval is necessary when a distribution company intends to acquire shares of another electricity transmission or distribution company; and
- Pursuant to the concession agreements that govern the services rendered by private companies operating distribution networks, the service is rendered by the concessionaire on an exclusive basis over certain areas indicated in the concession agreement.

2001 Economic Crisis

At the end of 2001 and beginning of 2002, Argentina experienced an unprecedented crisis that virtually paralyzed the country's economy through most of 2002 and led to radical changes in government policies. See "Item 5. Operating and Financial Review and Prospects—Factors Affecting Our Results of Operations—Argentine Economic Conditions". The crisis and the Argentine government's policies during this period severely affected the electricity sector. Pursuant to the Public Emergency Law enacted to address the crisis, the Argentine government, among other measures:

- converted public utility tariffs from their original U.S. Dollar values to Pesos at a rate of Ps. 1.00 per U.S.$ 1.00;
- froze all regulated distribution margins relating to the provision of public utility services (including electricity distribution services);
- revoked all price adjustment provisions and inflation indexation mechanisms in public utility concessions (including energy concessions); and
- empowered the Argentine Executive Branch to conduct a renegotiation of public utility contracts (including energy concessions), including the tariffs for public utility services.

These measures, combined with the devaluation of the Peso and high rates of inflation, had a severe effect on public utilities in Argentina, including on us. Because public utilities were no longer able to increase tariffs to cover their cost increases, the impact of inflation on costs led to decreases in their revenues in real terms and a deterioration of their operating performance and financial condition. Most public utilities had also incurred large amounts of foreign currency indebtedness under the fixed one-to-one Peso per Dollar exchange rate of the Convertibility Regime and, following the elimination of the Convertibility Regime and the resulting devaluation of the Peso, the debt service burden of these utilities increased sharply, which led many of these utilities to suspend payments on their foreign currency debt in 2002. This situation caused many Argentine electricity generators, transmission companies and distributors to defer making further investments in their networks. As a result, Argentine electricity market participants, particularly generators, are currently operating at near full capacity, which could lead to insufficient supply to meet a growing national energy demand. In addition, the economic crisis and the resulting emergency measures had a material adverse effect on other energy sectors, including oil and gas companies, which has led to a significant reduction in natural gas supplies to generation companies that use this commodity in their generation activities.

The Argentine government has repeatedly intervened in and modified the rules of the WEM since 2002 in an effort to address the electricity crisis generated by the economic crisis. These modifications include the establishment of caps on the prices paid by distributors for electricity power purchases and the requirement that all prices charged by generators be calculated based on the price of natural gas (also regulated by the Argentine government) regardless of the fuel actually used in generation activities. These modifications have created a huge structural deficit in the operation of the WEM. The Argentine government has made some attempts to correct these problems, including proposing new rules to structure the WEM in December 2004 and creating a special fund to finance infrastructure improvements in the energy sector in April 2006, but little progress has been made in advancing a system-wide solution to the problems confronting Argentina's electricity sector.

In September 2006, the SE issued Resolution No. 1,281/06 in an effort to respond to the sustained increase in energy demand following Argentina's economic recovery after the crisis. This resolution sought to create incentives for energy generation plants in order to meet increasing energy needs. The resolution's principal objective was to ensure that energy available in the market was used

primarily to service residential users and those industrial and commercial users whose energy demand was at or below 300 kilowatts (kW) and who lacked access to other viable energy alternatives. To achieve this, the resolution provided that:

- large users in the WEM and large customers of distribution companies (in both cases above 300 kW), such as us, would be authorized to secure energy supply up to their "base demand" (equal to their demand in 2005) by entering into term contracts; and
- large users in the WEM and large customers of distribution companies (in both cases above 300 kilowatts) had to satisfy any consumption in excess of their base demand with energy from the Energy Plus (Plus Energy) system at unregulated market prices. The Energy Plus system consists of the supply of additional energy generation from new generation and/or generating agents, co-generators or auto-generators who were not agents of the electricity market or who as of the date of the resolution were not part of the WEM. Large users in the WEM and large customers of distribution companies would also enter into contracts directly with these new generators or purchase energy at unregulated market prices through CAMMESA.

This resolution helped us to mitigate the risk of energy shortages due to a lack of electricity generation. See "—Business Overview—Our obligations."

In 2009, the Argentine government completed the construction and began the operation of two new 800 MW combined cycle generators constructed as part of its effort to increase energy supply. The costs of construction were financed with net revenues of generators derived from energy sales in the spot market and through specific charges from CAMMESA to large users. These funds had been deposited in the Fund for Investments Required to Increase Electricity Supply in the Wholesale Electricity Market (*Fondo de Inversiones Necesarias que Permitan Incrementar la Oferta de Energía Eléctrica en el Mercado Eléctrico Mayorista*, or FONINVEMEM).

Regulatory Authorities

The principal regulatory authorities responsible for the Argentine electricity industry are:

(1) the Secretariat of Electric Energy, which assumed certain responsibilities of the former SE (the "SEE");

(2) the Ente Nacional Regulador de la Electricidad (the "ENRE"); and

(3) the Ministry of Energy and Mining (the "ME&M")

The SE advises the Argentine government on matters related to the electricity sector and is responsible for the application of the policies concerning the Argentine electricity industry. See "Item. 3. Key Information—Risk Factors—Risks Relating to Our Business—Failure or delay to negotiate further improvements to our tariff structure, including increases in our distribution margin, and/or to have our tariff adjusted to reflect increases in our distribution costs in a timely manner or at all, has affected our capacity to perform our commercial obligations and could also have a material adverse effect on our capacity to perform our financial obligations."

The ENRE is an autonomous agency created by the Regulatory Framework Law. The ENRE has a variety of regulatory and jurisdictional powers, including, among others:

- enforcement of compliance with the Regulatory Framework Law and related regulations;
- control of the delivery of electric services and enforcement of compliance with the terms of concessions;
- adoption of rules applicable to generators, transmitters, distributors, electricity users and other related parties concerning safety, technical procedures, measurement and billing of electricity consumption, interruption and reconnection of supplies, third-party access to real estate used in the electricity industry and quality of services offered;
- prevention of anticompetitive, monopolistic and discriminatory conduct between participants in the electricity industry;
- imposition of penalties for violations of concessions or other related regulations; and

- arbitration of conflicts between electricity sector participants.

Under the Law No. 24,065, the ENRE is managed by a five-member board of directors appointed by the Executive Branch of the Argentine government. Two of these five members are nominated by the Consejo Federal de la Energía Eléctrica (Federal Council on Electricity, or CFEE). The CFEE is funded with a percentage of revenues collected by CAMMESA for each MWh sold in the market. Sixty percent of the funds received by the CFEE are reserved for the Fondo Subsidiario para Compensaciones Regionales de Tarifas a Usuarios Finales (Regional Tariff Subsidy Fund for End Users), from which the CFEE makes distributions to provinces that have met certain specified tariff provisions. The remaining forty percent is used for investments related to the development of electrical services in the Argentine provinces.

On December 22, 2015, through Decree No 231/2015 the ME&M was created, as a result of the rise in hierarchy of the old Secretariat of Energy, which had been part of the Ministry of Federal Planning, Public Investment and Services of the Nation, with the objective of elaborating, proposing and executing the national energy policy.

The Wholesale Electricity Market

Overview

The SE established the WEM in August 1991 to allow electricity generators, distributors and other agents to buy and sell electricity in spot transactions or under long-term supply contracts at prices determined by the forces of supply and demand.

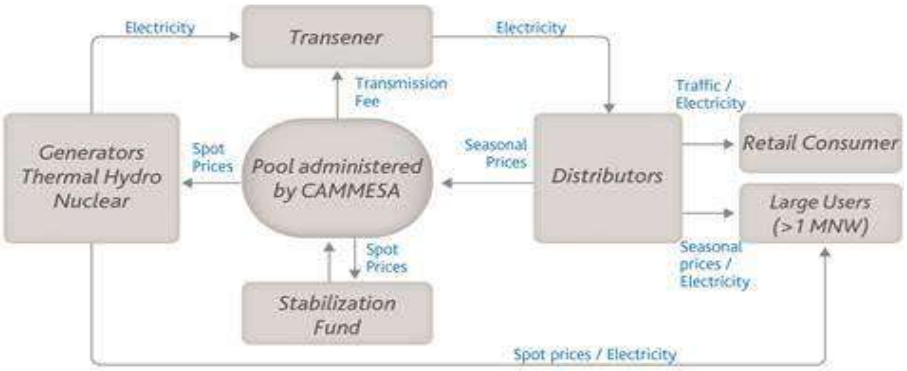
The WEM consists of:

- a term market in which generators, distributors and large users enter into long-term agreements on quantities, prices and conditions. Since March 2013, pursuant to Resolution 95/2013 of the SE, all large users have to buy their backup energy from CAMMESA at any relevant contractual maturity dates.
- a spot market, in which prices are established on an hourly basis as a function of economic production costs, represented by the short-term marginal cost of production and demand; and
- a stabilization fund, managed by CAMMESA, which absorbs the differences between purchases by distributors at seasonal prices and payments to generators for energy sales at the spot price.

Operation of the Wholesale Electricity Market

The operation of the WEM is administered by CAMMESA. CAMMESA was created in July 1992 by the Argentine government, which currently owns 20% of CAMMESA's capital stock. The remaining 80% is owned by various associations that represent WEM participants, including generators, transmitters, distributors and large users.

The following chart shows the relationships among the various actors in the WEM:



CAMMESA is in charge of:

- managing the national interconnection system pursuant to the Regulatory Framework Law and related regulations, which includes:
- determining technical and economic dispatch of electricity (i.e., schedule of production for all generating units on a power system to match production with demand) in the national interconnection system;
- maximizing the system's security and the quality of electricity supplied;
- minimizing wholesale prices in the spot market;
- planning energy capacity needs and optimizing energy use pursuant to the rules set out from time to time by the SE, and
- monitoring the operation of the term market and administering the technical dispatch of electricity pursuant to any agreements entered into in such market;
- acting as agent of the various WEM participants;
- purchasing or selling electricity from or to other countries by performing the relevant import/export operations;
- providing consulting and other services related to these activities;
- supplying fuel pursuant to Resolution 95/2013 of the SE, which includes the management, acquisition, nationalization, control, reception, storage and distribution of liquid fuels to Generation Centrals through marine, river and land transportation;
- administrating the expansion of gas pipelines associated to natural gas supply to the new thermal centrals under construction;
- managing the availability of the generation system, formalizing, controlling and supervising the works involved with supply commitment contracts. Implementation of the maintenance plans for the thermal system;
- implementing the increase in capacity of the central storage;
- incorporating Biodiesel to the electricity generation matrix; and
- developing related activities pursuant to the execution of new generation infrastructure and transport, managing the trust contracts for the new thermal and nuclear centrals, especially for non-conventional sources of energy or those works within the National Hydraulic Works Program.

The operating costs of CAMMESA are covered by mandatory contributions made by WEM participants. CAMMESA's annual budget is subject to a mandatory cap equivalent to 0.85% of the aggregate amount of transactions in the WEM projected for that year.

Wholesale Electricity Market Participants

The main participants in the WEM are generation, transmission and distribution companies. Large users and traders participate also in the WEM but to a lesser extent.

Generators

According to a recent report issued by CAMMESA, as of December 31, 2016, there were more than a hundred generation companies – certain of which operate several plants such as Enarsa, Secco, Agrekko, Sullair-, 25 auto-generation companies and 3 co-generation companies in Argentina. As of December 31, 2016, Argentina's installed power capacity was 33.901 MW, out of which 1,679 MW were subject to a start-up testing process. Of the installed capacity, 61.4% was derived from thermal generation, 31.4% from hydraulic generation, 5.2% from nuclear generation and 2.1% from non-conventional sources of energy. Private generators participate in CAMMESA through the *Asociación de Generadores de Energía Eléctrica de la República Argentina* (Argentine Association of Electric Power Generators, or AGEERA), which is entitled to appoint two acting and two alternate directors of CAMMESA.

Transmitters

Electricity is transmitted from power generation facilities to distributors through high voltage power transmission systems. Transmitters do not engage in purchases or sales of power. Transmission services are governed by the Regulatory Framework Law and related regulations promulgated by the SE.

In Argentina, transmission is carried at 500 kV, 300 kV, 220 kV and 132 kV through the national interconnection system. The national interconnection system consists primarily of overhead lines and transformation stations(i.e., assemblies of equipment through which electricity delivered through transmission circuits passes and is converted into voltages suitable for use by end users) and covers approximately 90% of the country. The majority of the national interconnection system, including almost all of the 500 kV transmission lines, has been privatized and is owned by Transener, which is indirectly co-controlled by Pampa Energía, our indirect controlling shareholder and the largest integrated electricity company in Argentina. Regional transmission companies, most of which have been privatized, own the remaining portion of the national interconnected system. Supply points link the national interconnection system to the distribution systems, and there are interconnections between the transmission systems of Argentina, Brazil, Uruguay and Paraguay allowing for the import and export of electricity from one system to another.

Transmission companies also participate in CAMMESA by appointing two acting and two alternate directors through the Argentine Association of Electric Power Transmitters (*Asociación de Transportistas de Energía Eléctrica de la República Argentina*, or ATEERA).

Distributors

Each distributor supplies electricity to consumers and operates the related distribution network in a specified geographic area pursuant to a concession. Each concession establishes, among other things, the concession area, the quality of service required, the tariffs paid by consumers for the distribution service and an obligation to satisfy demand. The ENRE monitors compliance by federal distributors, including us and Edesur with the provisions of the respective concessions and with the Regulatory Framework Law. In turn, provincial regulatory agencies monitor compliance by local distributors with their respective concessions and with local regulatory frameworks.

Distributors participate in CAMMESA by appointing two acting and two alternate directors through the Argentine Association of Electric Power Distributors (*Asociación de Distribuidores de Energía Eléctrica de la República Argentina,* or ADEERA).

Large Users

The WEM classifies large users of energy into three categories: Major Large Users (*Grandes Usuarios Mayores,* or GUMAs), Minor Large Users (*Grandes Usuarios Menores,* or GUMEs) and Particular Large Users (*Grandes Usuarios Particulares,* or GUPAs).

Each of these categories of users has different requirements with respect to purchases of their energy demand. For example, GUMAs are required to purchase 50% of their demand through supply contracts and the remainder in the spot market, while GUMEs and GUPAs are required to purchase all of their demand through supply contracts.

Large users participate in CAMMESA by appointing two acting and two alternate directors through the Argentine Association of Electric Power Large Users (*Asociación de Grandes Usuarios de Energía Eléctrica de la República Argentina*, or AGUEERA).

Spot Market

Spot Prices

The emergency regulations enacted after the Argentine crisis in 2001 and 2002 had a significant impact on energy prices. Among the measures implemented pursuant to the emergency regulations were the pesification of prices in the WEM, known as the spot market, and the requirement that all spot prices be calculated based on the price of natural gas, even in circumstances where alternative fuel such as diesel is purchased to meet demand due to the lack of supply of natural gas.

Prior to the crisis, energy prices in the spot market were set by CAMMESA, which determined the price charged by generators for energy sold in the spot market of the WEM on an hourly basis. The spot price reflected supply and demand in the WEM at any given time, which CAMMESA determined using different supply and demand scenarios that dispatched the optimum amount of available supply, taking into account the restrictions of the transmission grid, in such a way as to meet demand requirements while seeking to minimize the production cost and the cost associated with reducing risk of system failure.

The spot price set by CAMMESA compensated generators according to the cost of the last unit to be dispatched for the next unit as measured at the Ezeiza 500 kV substation, which is the system's load center and is in close proximity of the City of Buenos Aires. Dispatch order was determined by plant efficiency and the marginal cost of providing energy. In determining the spot price, CAMMESA also would consider the different costs incurred by generators not in the vicinity of Buenos Aires.

In addition to energy payments for actual output at the prevailing spot market prices, generators would receive compensation for capacity placed at the disposal of the spot market, including stand-by capacity, additional stand-by capacity (for system capacity shortages) and ancillary services (such as frequency regulation and voltage control). Capacity payments were originally established and set in U.S. Dollars to allow generators to cover their foreign-denominated costs that were not covered by the spot price. However, in 2002, the Argentine government set capacity payments in reference to the Peso thereby limiting the purpose for which capacity payments were established.

Seasonal Prices

The emergency regulations also made significant changes to the seasonal prices charged to distributors in the WEM, including the implementation of a pricing ladder organized by level of customer consumption (which varies depending on the category of customers) charged by CAMMESA to distributors at a price significantly below the spot price charged by generators. According to the current regulatory framework, the SE is required to adjust the seasonal price charged to distributors in the WEM every three months and the ENRE must calculate the tariff scheme as a result of applying the adjustment. However, between January 2005 and November 2008, the ENRE did not make these adjustments. In November 2008, the ENRE passed Resolution No. 628/08 establishing a new distribution tariff as from October 1, 2008 and modified seasonal prices charged to federal distributors, including the consumption levels that make up the pricing ladder.

On August 14, 2009, the ENRE adopted Resolution No. 433/2009 approving two tariff charts to be applied by Edenor, for the winter period of 2009. These charts were based on the new subsidized seasonal prices set forth by Resolution No. 652/09 issued by the SE. The new price charts aimed at reducing the impact of increased winter electric energy consumption on the invoicing of residential customers with bi-monthly consumption exceeding 1,000 kWh. The ENRE also instructed Edenor to break down the floating charges of all invoices into the amounts subsidized and not subsidized by the Argentine government.

During the winter season for the period between 2009-2013, the seasonal tariff chart was revised twice. For the months of June and July, tariffs were revised so that residential customers with consumption levels above 1,000 kWh received a full subsidy for their energy purchases. For the months of August and September, residential customers with consumption levels above 1,000 kWh received a subsidy equal to a 70% of their energy purchase price.

Prior to the implementation of the emergency regulations, seasonal prices were determined by CAMMESA based on an estimate of the weighted average spot price that would be paid by the next generator that would come on-line to satisfy a theoretical increase in demand (marginal cost), as well as the costs associated with the failure of the system and several other factors. CAMMESA would use a seasonal database and optimization models in determining the seasonal prices and would consider both anticipated energy supplies and demand, including, expected availability of generating capacity, committed imports and exports of electricity and the requirements of distributors and large users.

In November 2012, pursuant to Resolution No. 2,016/12 of the SE and in accordance with the Summer Seasonal Program approved for the period November 2012- 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, the SE adopted Resolution No. 408/13, which maintained both the single price and the criteria for raising subsidies during the winter season.

During the winter season 2014, the Resolution No. 2,016/12 was applied without any price reduction and residential customers with consumption levels above 1,000 kWh did not received subsidy equivalent to that received in 2013.

On January 25, 2016, the ME&M issued Resolution No. 6/16, approving the seasonal WEM prices for each category of customer, as required by the regulatory framework, for the period from February 2016 through April 2016, in force through January 2017. These WEM prices resulted in the elimination of certain energy subsidies and a substantial increase in electricity rates for customers. Such resolution also contemplates a differentiated tariff for residential customers who achieved energy consumption savings between 10% and 20%, or greater than 20%, compared to the same period in the year 2015 (Stimulus Plan), and a social tariff for residential customers who comply with certain consumption requirements, which includes a full exemption for monthly consumptions below or equal to 150 Kwh and tariff benefits for customers who exceed such consumption level but achieve a monthly consumption lower than that of the same period in the immediately preceding year.

Since May 2016, we were notified by several courts of the Province of Buenos Aires of provisional remedies granted to individual and collective customers against Resolution No. 6/16 and Resolution No. 1/16 issued by the ENRE (which authorized our new tariff schedule as from February 2016). Consequently, the new tariff schedule, which includes the WEM prices established by Resolution No. 6/16, were not applied during certain periods in 2016 to the entire concerned area as a result of the injunctions issued in the above mentioned case and to the districts of "Pilar" and "La Matanza" where provisional remedies were in effect until October 24 and November 11, 2016, respectively, when they expired. Therefore, as of those dates, no provisional remedy has been in effect and the new tariff scheme has been applied to all customers.

On February 1, 2017, the SEE published Resolution No 20-E/2017, by means of which it approved the Summer Seasonal Schedule for the WEM corresponding to the period held between February 1 and April 30, 2017.

In this regard, the SEE established the power and electricity reference prices for the different categories of customers, which is in force since March 1, 2017, and recognized a discount for the reference prices, exclusively for the month of February 2017. The SEE also ratified the social tariff determined by Resolution No. 6/16, and included the category of electricity dependent customers, which establishes a full exemption for monthly consumptions below or equal to 600 Kwh and tariff benefits for those customers who exceed such consumption level but achieve a monthly consumption lower than that of the same period in the immediately preceding year.

Stabilization Fund

The stabilization fund, managed by CAMMESA, absorbs the difference between purchases by distributors at seasonal prices and payments to generators for energy sales at the spot price. When the spot price is lower than the seasonal price, the stabilization fund increases, and when the spot price is higher than the seasonal price, the stabilization fund decreases. The outstanding balance of this fund at any given time reflects the accumulation of differences between the seasonal price and the hourly energy price in the spot market. The stabilization fund is required to maintain a minimum amount to cover payments to generators if prices in the spot market during any relevant quarter exceed the seasonal price.

Billing of all WEM transactions is performed monthly through CAMMESA, which acts as the clearing agent for all purchases between participants in the market. Payments are made approximately 40 days after the end of each month.

The stabilization fund was adversely affected as a result of the modifications to the spot price and the seasonal price made by the emergency regulations, pursuant to which seasonal prices were set below spot prices resulting in large deficits in the stabilization fund. As of December 31, 2016, the stabilization fund balance was approximately Ps. 26,376 million, resulting from the stabilization fund plus the over expenses of dispatch net of the Argentine treasury contributions. If all the funds and accounts of energy and power are considered (including the Additional Energy, Fuel over expenses, Quality Supply, Surplus Demand pursuant to Resolution No. 1,281/06 of the SE, WEM, over expense contracts, etc.), this balance rises to Ps. 69,466 million. In this regard, over a period of more than ten

years, the deficit has been financed by the Argentine government through nonrefundable loans to CAMMESA, and the same methodology continues to be applied, through the deficit tends to reduce as a result of the policies implemented by the ME&M.

Term Market

Generators are able to enter into agreements in the term market to supply energy and capacity to distributors and large users. Distributors are able to purchase energy through agreements in the term market instead of purchasing energy in the spot market. Term agreements typically stipulate a price based on the spot price plus a margin. Prices in the term market have at times been lower than the seasonal price that distributors are required to pay in the spot market. However, as a result of the emergency regulations, spot prices in the term market are currently higher than seasonal prices, particularly with respect to residential tariffs, making it unattractive for distributors to purchase energy under term contracts while prices remain at their current levels.

As from March 2013, pursuant to the SE's Resolution No. 95/2013 all large users have to buy their backup energy from CAMMESA at any relevant contractual maturity date.

Plus Energy

In September 2006, the SE issued Resolution No. 1,281/06 in an effort to respond to the sustained increase in energy demand following Argentina's economic recovery after the crisis. This resolution seeks to create incentives for energy generation plants in order to meet increasing energy needs. The resolution's principal objective is to ensure that energy available in the market is used primarily to service residential users and industrial and commercial users whose energy demand is at or below 300 kW and who do not have access to other viable energy alternatives. To achieve this, the resolution provides that:

- large users in the WEM and large customers of distribution companies (in both cases whose energy demand is above 300 kilowatts), will be authorized to secure energy supply up to their "base demand" (equal to their demand in 2005) by entering into term contracts; and
- large users in the WEM and large customers of distribution companies (in both cases whose energy demand is above 300 kilowatts) must satisfy any consumption in excess of their base demand with energy from the Plus Energy system at unregulated market prices. The Plus Energy system consists in the supply of additional energy generation from new generation and/or generating agents, co-generators or auto-generators that are not agents of the electricity market or who as of the date of the resolution were not part of the WEM. Large users in the WEM and large customers of distribution companies can also enter into contracts directly with these new generators or purchase energy at unregulated market prices through CAMMESA.

Only the new generation facilities (which include generators that were not connected to the SADI as of September 5, 2006) and new generation capacity expansions in respect of existing capacity as of such date are entitled to sell electricity under the *Plus Energy* system.

The resolution also established the price large users are required to pay for excess demand, if not previously contracted under *Plus Energy*, which is equal to the generation cost of the last generation unit transmitted to supply the incremental demand for electricity at any given time. The SE established certain temporary price caps, to be paid by large users for any excess demand until December 2008 (Ps. 225/MWh for GUDIs and Ps. 185/Mwh for GUMEs and GUMAs).

These prices have been updated as follows:

- after August 2011, the median incremental charge for excess demand was set at 320 $/MWh for GUMAs and GUMEs and 455 $/MWh for GUDIs;
- after December 2011, median incremental charge for excess demand for those who are not subsidized was set at 360 $/MWh;
- pursuant to the SE's Resolution No. 95/13 from March 22, 2013, as opposed to the backup contracts where a unique energy supplier is authorized by CAMMESA, the Plus Energy

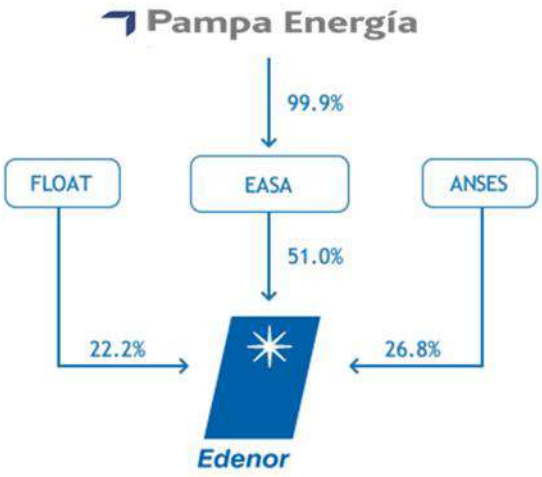
contracts still function are available to the large users and generators previously authorized by the Argentine National Planning, Public Investment and Services Ministry. The customers under the GUDI category, whose Energy Plus contracts mature, have the option of rehiring Energy Plus, reclassifying themselves under the GUME category; or continue buying the total amount of their energy to the distributors, paying in case needed. Base Surplus Demand pursuant to Resolution SE No. 1,281/06; and

- as of March 13, 2015, the median incremental charge for excess demand was set at 450 $/MWh for GUMAs and GUMEs and 550 $/MWh for GUDIs;
- based on the guidelines set forth in Resolution No. 6 of the ME&M, the median incremental charge for excess demand was set at 650 $ / MWh for GUMAs and GUMES, while GUDIs stopped paying this charge.

ORGANIZATIONAL STRUCTURE

We are a subsidiary of Pampa Energía, the largest fully integrated electricity company in Argentina. In addition to its indirect stake in us, Pampa Energía as of the date of filing of this annual report owns several investments in the Argentine electricity sector, including a 50% interest in the controlling shareholder of the principal electricity transmission company in Argentina, Transener, and controlling stakes in five generation plants located in the Provinces of Buenos Aires, Salta, Mendoza and Neuquén (Central Piedra Buena S.A., Hidroeléctrica Los Nihuiles S.A., Hidroeléctrica Diamante S.A., Central Térmica Güemes S.A., and Central Térmica Loma de la Lata S.A.).

The following diagram presents our corporate structure as of the date of filing of this annual report.



PROPERTY, PLANT AND EQUIPMENT

Our main properties are transmission lines, substations and distribution networks, all of which are located in the northwestern part of the greater Buenos Aires metropolitan area and in the northern part of the City of Buenos Aires. Substantially all of our properties are held in concession to provide the electricity distribution service, which, by its nature, is considered to be an essential public service. In accordance with Argentine law and court precedents, assets which are necessary for the rendering of an essential public service are not subject to attachment or attachment in aid of execution.

The net book value of our property, plant and equipment as recorded on our financial statements was Ps. 11,197.0 million, Ps. 8,885.8 million and Ps. 6,652.5 million as of December 31, 2016, 2015 and

2014, respectively. For a description of our capital expenditures plan see "Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Edenor's Capital Expenditures".

The total value of property, plant and equipment transferred by SEGBA on September 1, 1992 was allocated to individual assets accounts on the basis of engineering studies conducted by the Company. The value of property, plant and equipment was determined based on the price effectively paid by EASA for the acquisition of 51% of the Company's capital stock. SEGBA neither prepared separate financial statements nor maintained financial information or records with respect to its distribution operations or the operations in which the assets transferred to EDENOR were used. Accordingly, it was not possible to determine the historical cost of transferred assets. Additions subsequent to such date have been valued at acquisition cost, net of the related accumulated depreciation. Depreciation has been calculated by applying the straight-line method over the remaining useful life of the assets, which was determined on the basis of the above-mentioned engineering studies. Furthermore, in order to improve the disclosure of the account, the Company has made certain changes in the classification of property, plant and equipment based on each technical process. In accordance with the provisions of IAS 23, borrowing costs in relation to any given asset are to be capitalized when such asset is in the process of production, construction, assembly or completion, and such processes, due to their nature, take long periods of time; those processes are not interrupted; the period of production, construction, assembly or completion does not exceed the technically required period; the necessary activities to put the asset in condition to be used or sold are not substantially complete; and the asset is not in condition so as to be used in the production or startup of other assets, depending on the purpose pursued with its production, construction, assembly or completion. Subsequent costs (major maintenance and reconstruction costs) are either included in the value of the assets or recognized as a separate asset, only if it is probable that the future benefits associated with the assets will flow to the Company, being it possible as well that the costs of the assets may be measured reliably and the investment will improve the condition of the asset beyond its original state. The other maintenance and repair expenses are recognized in profit or loss in the year in which they are incurred. See "Item 5. Operating and Financial Review and Prospects—Factors Affecting Our Results of Operations—Tariffs—Distribution Margin or Value-Added for Distribution (VAD)—Integral Tariff Revision, or (RTI)".

Item 4A. *Unresolved Staff Comments*

None.

Item 5. *Operating and Financial Review and Prospects*

The following discussion should be read in conjunction with our audited financial statements as of and for the years ended December 31, 2016, and 2015, included in Item 18 of this annual report and the "Selected Financial Data", included in Item 3 herein. Our financial statements have been prepared in accordance with IFRS as issued by the IASB. See "Item 3. Key Information—Selected Financial Data."

During 2016, we recorded, as we had done in 2012 and 2014, negative operating and net results, thus deteriorating once again our economic and financial situation, which had temporarily improved in 2015 as a consequence of the issuance of Resolution No. 32/15 by the SE. Such resolution addressed the need for the adjustment of our distribution resources and considered the adoption of urgent and interim measures necessary in order not only to maintain the quality and safety of our service but also to satisfy the constant year-on-year increase in demand for electricity following Argentina's relative economic growth in recent years (especially, from 2012 through 2015).

The negative results mentioned above were mainly caused because of the delay in the performance of certain obligations under the Adjustment Agreement, especially with regard to the implementation of the semi-annual rate adjustments and the completion of the RTI process. In this context, on December 16, 2015, the Macri administration issued Decree No. 134/15, which declared the state of emergency with respect to the national electricity system, authorizing the ME&M to implement a nation-wide plan of action for the generation, transmission and distribution of electricity and to take actions to guarantee the supply of the electricity under adequate economic and technical conditions.

As part of the restructuring of the electricity sector, in January 2016, the ME&M issued Resolution No. 6/16 and the ENRE Resolution No. 1/16, through which approved a new tariff scheme that established the new generation cost and partially adjusted our distribution added value (VAD) in order to make investments, carry out maintenance works and expand networks.

In respect of these measures, from May through November 2016, several courts granted provisional remedies (injunctions) ordering the temporary suspension of the resolutions increasing tariffs in the Province of Buenos Aires. In the "Abarca case",an injunction was issued extending throughout the entire concession area of the Province of Buenos Aires, which was lifted on September 6, 2016, and its economic impact on us was compensated in four installments, that were charged to the customers' invoices as from October, 2016. Other provisional remedies were granted with respect to the districts of "Pilar" and "La Matanza", which remained in effect until October 24 and November 11, 2016, respectively, when they expired. The negative effect related to these provisional remedies was compensated by CAMMESA through credit notes as authorized by the ME&M (Note No. 2016-04484723). As of the date of this annual report, no injunction remains in force, and the tariff scheme resulting from the referenced ENRE resolutions was applied to all customers.

The tariff scheme established by Resolution No. 1/16, which improved our gross margin (taking into account that the effects of the provisional remedies were compensated), resulted insufficient to comply with the provision of the public service in a satisfactory manner in terms of quality and safety, mainly because of the increase in operating expenses, particularly as a result of ENRE fines and penalties following the implementation of Note No. 120,151, issued on April 15, 2016, and the increase in non-technical losses and past due receivables. Thus, within a context of continued increase in the demand for electricity, our economic and financial situation became untenable.

However, despite the negative operating and net results recorded in 2016, our board of directors is optimistic that the new tariff schedule (set in force by Resolution No. 63/17 of the ENRE) will establish a regulatory framework with clear and precise rules, which will make possible for us not only to cover our operation costs, afford the investment plans and meet debt interest payments, but also to deal with the impact of the different variables that affect our business from time to time.

OPERATING RESULTS

We distribute electricity on an exclusive basis to the northwestern part of the greater Buenos Aires metropolitan area and the northern part of the City of Buenos Aires, comprising an area of 4,637 square kilometers, with an aggregate population of approximately eight million people. Pursuant to our concession, we have the exclusive right to distribute electricity to all users within our concession area, including to WEM participants. At December 31, 2016, we had 2,867,250 customers.

We serve two markets: the regulated market, which is comprised of users who are unable to purchase their electricity requirements directly through the WEM, and the unregulated market, which is comprised of large users that purchase their electricity requirements directly from generators in the WEM. The terms and conditions of our services and the tariffs we charge users in both the regulated and unregulated markets are regulated by the ENRE.

Factors Affecting Our Results of Operations

Our net sales consist mainly of net energy sales to users in our concession area. Our net energy sales reflect the tariffs we charge our customers (which include our energy purchase costs). In addition, our net sales include connection and reconnection charges and leases of poles and other network equipment.

The Adjustment Agreement contemplated a cost adjustment mechanism for the transitional period during which the RTI process was being conducted. This mechanism, known as the Cost Monitoring Mechanism (CMM), required the ENRE to review our actual distribution costs every six months (in May and November of each year) and to adjust our distribution margins to reflect variations of 5% or more in our distribution cost base. We could also request the ENRE to apply the CMM at any time that the variation in our distribution cost base was at least 10% or more. Despite the adjustment we were granted under the CMM in October 2007 and July 2008.

We requested several additional increases under the CMM since May 2008, all of which were approved by ENRE pursuant to Resolution No. 250/13 and Resolution No. 32/15, with retroactive effect as of May 2008. However, these increases were not incorporated into our tariff structure in a timely manner to reflect increases in our distribution costs. In January 2016, the ME&M issued Resolution No.

7/16, through which the ENRE implemented a VAD adjustment to the tariff schedule on account of the future RTI process in effect as of February 1, 2016. Pursuant to such resolution, the ENRE issued Resolution No. 1/16 on January 29, 2016, establishing a new tariff structure.

In accordance with the terms of Resolution No. 7/16, which instructed the ENRE to take all necessary measures to complete the RTI process by December 2016, the RTI process was concluded. Thus, on February 1, 2016, the ENRE issued Resolution No. 63/17, which established, among others, a new tariff scheme.

As per the ME&M's request, the ENRE implemented a VAD increase in three stages, establishing an initial maximum increase of 42% to be applied as from February 1 2017, and two subsequent increases in November 2017 and February 2018. In addition, the ENRE would acknowledge us the difference in VAD resulting from the application of the gradual tariff increase (the three stages, as described below) recognized by the RTI in 48 installments as from February 1, 2018, which will be incorporated to the VAD value on such date.

Moreover, the VAD may be adjusted on a quarterly basis in accordance with a non-automatic mechanism based on the macroeconomic prices indicators (CPI, WSPI and salaries increases), to preserve the economic-financial sustainability of the Company in the event of prices variations in the economy.

If, in the future, we are not able to recover the incremental cost increases or there is a significant lag of time between when we incur the incremental costs and when we receive increased income, we may be unable to comply with our financial and commercial obligations, suffer liquidity shortfalls and need to restructure our debt to ease our financial condition, any of which, individually or in the aggregate, would have a material adverse effect on our business and results of operations and may cause the value of our ADSs to decline. See "Item 5. Operating and Financial Review and Prospects—Factors Affecting our Results of Operations—Tariffs" and "Item 3. Key Information—Risk factors—Risks Relating to Our Business—Failure or delay to negotiate further improvements to our tariff structure, including increases in our distribution margin, and/or to have our tariffs adjusted to reflect increases in our distribution costs in a timely manner or at all, has affected our capacity to perform our commercial obligations and could also have a material adverse effect on our capacity to perform our financial obligations."

The following table sets forth the composition of our net sales for the periods indicated:

	Year ended December 31		
	2016	**2015**	**2014**
	(Figures in millions)		
Sales of Electricity (1)	12,952.7	3,720.4	3,536.1
Right of use on poles	108.2	76.4	57.5
Connection Charges	15.9	4.2	3.9
Reconnection Charges	2.8	1.1	0.8
Net sales	**13,079.6**	**3,802.1**	**3,598.3**

(1) Includes revenue from the application of Resolution No. 347/12 for Ps. 1.3 billion, Ps. 535.5 million and Ps. 508.1 million for the years ended December 31, 2016, 2015 and 2014, respectively. As of December 31, 2016, includes the effects of the provisional remedies.

The following tables show Edenor's energy sales by category of customer (in GWh) for the periods indicated:

	Year ended December 31,					
	2016		2015		2014	
Residential	9,708	44%	9,671	43%	9,114	43%
Small Commercial	1,819	8%	1,878	8%	1,714	8%
Medium Commercial	1,820	8%	1,828	8%	1,712	8%
Industrial	3,677	17%	3,680	16%	3,431	16%
Wheeling System[(1)]	4,014	18%	4,200	19%	4,213	20%
Public Lighting	704	3%	688	3%	678	3%
Shantytowns	511	2%	436	2%	430	2%
Others [(2)]	22	0%	21	0%	20	0%
Total	**22,275**	**100%**	**22,402**	**100%**	**21,312**	**100%**

(1) Wheeling charges represent our tariffs for generators and large users, which consist of a fixed charge for recognized technical losses and a charge for our distribution margins but exclude charges for electric power purchases, which are undertaken directly between generators and large users.
(2) Represents energy consumed internally by our company and our facilities.

Our revenues and results of operations are principally affected by economic conditions in Argentina, changes in our regulated tariffs and fluctuations in demand for electricity within our service area. To a lesser extent, our revenues and results of operations are also affected by service interruptions or reductions in excess of those contemplated by Resolution No. 63/17, which may lead us to incur fines and penalties imposed by the ENRE.

Argentine Economic Conditions and Inflation

Because all of our operations, facilities and customers are located in Argentina, we are affected by general economic conditions in the country. In particular, the general performance of the Argentine economy affects demand for electricity, and inflation and fluctuations in currency exchange rates affect our costs and our margins. Inflation primarily affects our business by increasing operating costs, while at the same time reducing our revenues in real terms.

In December 2001 Argentina experienced an unprecedented crisis that virtually paralyzed the country's economy through most of 2002 and led to radical changes in government policies. The crisis and the Argentine government's policies during this period severely affected the electricity sector, as described below. Although over the following years the Argentine economy has recovered significantly from the crisis, and the business and political environment has been largely stabilized, the Argentine government has only recently begun to address the difficulties experienced by the Argentine electricity sector as a result of the crisis and its aftermath. However, we believe that the current recovery and the recent measures adopted by the Macri administration in favor of the electricity sector, such as establishing incentives for the construction of additional generation facilities and the creation of trust funds to further enhance generation, transmission and distribution of electricity throughout the country, have set the stage for growth opportunities in our industry.

The following table sets forth key economic indicators in Argentina during the years indicated:

	Year ended December 31,				
	2016	**2015**	**2014**	**2013**	**2012**
Real GDP (% change)	-2.3	2.6	-2.5	2.4	-1.0
Nominal GDP (in millions of Pesos)	7,952,501	5,854,014	4,579,086	3,348,308	2,637,914
Real Consumption (% change)	-1.6	3.5	-4.4	3.6	1.1
Real Investment (% change)	-5.4	3.8	-6.8	2.3	-7.1
Industrial Production (% change)	-4.7	0.1	-1.8	0.0	-7.8
Consumer Price Index	39.90	15.00	23.80	10.90	10.80
Nominal Exchange Rate (in Ps. /U.S.$ at year end)	16.17	13.40	8.60	6.50	4.90
Exports (in millions of U.S.$)	57,413	56,752	68,335	75,963	79,982
Imports (in millions of U.S.$)	55,753	59,787	65,229	74,442	67,974
Trade Balance (in millions of U.S.$)	1,659	-3,035	3,106	1,521	12,008
Current Account (% of GDP)	-2.2	-2.5	-1.4	-2.0	-0.2
Reserves (in millions of U.S.$)	39,004	24,824	30,119	30,589	44,273
Tax Collection (in millions of Pesos)	2,007,811	1,537,948	1,169,683	858,832	679,799
Primary Surplus (in millions of Pesos)	-362,694	-235,117	-155,522	-82,212	-33,448
Public Debt (% of GDP at December 31) *	48.7	37.2	41.5	35.2	36.2
Public Debt Service (% of GDP)	5.3	4.4	3.8	3.7	3.1
External Debt (% of GDP at December 31)	33.8	26.0	27.7	25.0	27.1

Sources: INDEC; Central Bank; Ministry of Economy and Production.
* Includes hold-outs

** The CPI for 2015 was calculated for the ten-month period ended October 31, 2015. In November 2015, the INDEC suspended the publication of the CPI and the WPI.

In 2016, under the Macri administration the methodology used for the calculation of the economic indicators at the INDEC was updated. As a consequence, all the official economic data since 2004 has been revised.

Following years of hyperinflation and economic recession, in 1991 the Argentine government adopted an economic program that sought to liberalize the economy and impose monetary discipline. The economic program, which came to be known as the Convertibility Regime, was centered on the Convertibility Law of 1991 and a number of measures intended to liberalize the economy, including the privatization of a significant number of public sector companies (including certain of our subsidiaries and co-controlled companies). The Convertibility Law established a fixed exchange rate based on what is generally known as a currency board. The goal of this system was to stabilize the inflation rate by requiring that Argentina's monetary base be fully backed by the Central Bank's gross international reserves. This restrained the Central Bank's ability to effect changes in the monetary supply by issuing additional Pesos and fixed the exchange rate of the Peso and the U.S. Dollar at Ps. 1.00 to U.S.$ 1.00.

The Convertibility Regime temporarily achieved price stability, increased the efficiency and productivity of the Argentine economy and attracted significant foreign investment to Argentina. At the same time, Argentina's monetary policy was tied to the flow of foreign capital into the Argentine economy, which increased the vulnerability of the economy to external shocks and led to increased reliance on the services sector of the economy, with the manufacturing, agricultural and industrial sectors lagging behind due to the relative high cost of Peso-denominated products in international markets as a result of the Peso's peg to the U.S. Dollar. In addition, related measures restricted the Central Bank's ability to provide credit, particularly to the public sector.

Following the enactment of the Convertibility Law, inflation declined steadily and the economy experienced growth through most of the period from 1991 through 1997. This growth slowed from 1998 on, however, as a result of the Asian financial crisis in 1997, the Russian financial crisis in 1998 and the devaluation of Brazil's currency in 1999, which led to the widespread withdrawal of investors' funds from emerging markets, increased interest rates and a decline in exports to Brazil, Argentina's principal export market at the time. According to INDEC, in the fourth quarter of 1998, the Argentine economy entered into a recession that caused the gross domestic product to decrease by 3.4% in 1999, 0.8% in 2000 and 4.4% in 2001. In the second half of 2001, Argentina's recession worsened significantly, precipitating a political and economic crisis at the end of 2001.

2001 Economic Crisis

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 without prior approval by the Central Bank, some of which are still in effect. On December 21, 2001, the Central Bank decided to close the foreign exchange market, which amounted to a *de facto* devaluation of the Peso. On December 24, 2001, the Argentine government suspended payment on most of Argentina's foreign debt.

The economic crisis led to an unprecedented social and political crisis, including the resignation of President Fernando De la Rúa and his entire administration in December 2001. After a series of interim governments, in January 2002 the Argentine congress appointed Senator Eduardo Duhalde, a former vice-president and former governor of the Province of Buenos Aires, to complete De la Rúa's term through December 2003.

On January 6, 2002, the Argentine congress enacted the Public Emergency Law, which introduced dramatic changes to Argentina's economic model, empowered the Argentine government to implement, among other things, additional monetary, financial and foreign exchange measures to overcome the economic crisis in the short term and brought to an end the Convertibility Regime, including the fixed parity of the U.S. Dollar and the Peso. Following the adoption of the Public Emergency Law, the Peso devalued dramatically, reaching its lowest level on June 25, 2002, at which time it had devalued from Ps. 1.00 to Ps. 3.90 per U.S. Dollar according to Banco Nación. The devaluation of the Peso had a substantial negative effect on the Argentine economy and on the financial condition of individuals and businesses. The devaluation caused many Argentine businesses (including us) to default on their foreign currency debt obligations, significantly reduced real wages and crippled businesses that depended on domestic demand, such as public utilities and the financial services industry. The devaluation of the Peso created pressure on the domestic pricing system and triggered very high rates of inflation. According to INDEC, during 2002 the Argentine WPI increased by approximately 118% and the Argentine CPI rose approximately 41%.

Following the adoption of the Public Emergency Law, the Argentine government implemented measures, whether by executive decree, Central Bank regulation or federal legislation, attempting to address the effects of the collapse of the Convertibility Regime, recover access to financial markets, reduce government spending, restore liquidity to the financial system, reduce unemployment and generally stimulate the economy.

Pursuant to the Public Emergency Law, the Argentine government, among other measures:

- converted public utility tariffs from their original U.S. Dollar values to Pesos at a rate of Ps. 1.00 per U.S.$ 1.00;
- froze all regulated distribution margins relating to the provision of public utility services (including electricity distribution services);
- revoked all price adjustment provisions and inflation indexation mechanisms in public utility concessions (including our concession); and
- empowered the Argentine Executive Branch to conduct a renegotiation of public utility contracts (including our concession) and the tariffs set therein (including our tariffs).

These measures, combined with the devaluation of the Peso and high rates of inflation, had a severe effect on public utility companies in Argentina (including us). Because public utility companies were no longer able to increase tariffs at a rate consistent with the increased costs they were incurring, increases in the rate of inflation led to decreases in their revenues in real terms and a deterioration of their operating performance and financial condition. Most public utility companies had also incurred large amounts of foreign currency indebtedness to finance the capital improvement and expenditure programs. At the time of these privatizations, the capital structures of each privatized company were determined taking into account the Convertibility Regime and included material levels of U.S. Dollar-denominated debt. Following the elimination of the Convertibility regime and the resulting devaluation of the Peso, the debt service burden of these utility companies significantly increased, which when combined with the margin freeze and conversion of tariffs from U.S. Dollars to Pesos, led many of these utility companies (including us) to suspend payments on their foreign currency debt in 2002.

Economic Recovery and Outlook

Beginning in the second half of 2002, Argentina experienced economic growth driven primarily by exports and import-substitution, both facilitated by the lasting effect of the devaluation of the Peso in January 2002. While this devaluation had significant adverse consequences, it also fostered a reactivation of domestic production in Argentina as the sharp decline in the Peso's value against foreign currencies made Argentine products relatively inexpensive in the export markets. At the same time, the cost of imported goods increased significantly due to the lower value of the Peso, forcing Argentine consumers to substitute their purchase of foreign goods with domestic products, substantially boosting domestic demand for domestic products.

In April 2003, Dr. Néstor Kirchner, the former governor of the province of Santa Cruz, was elected as president for a four-year term, and he took office in May 2003. During 2003, Argentina moved towards normalizing its relationship with the IMF, withdrew all the national and provincial governments' quasi-money securities from circulation and eliminated all deposit restrictions. The trade balance experienced a sustained surplus, aided by the rise in commodity prices and export volumes. At the same time, social indicators improved, with the unemployment rate decreasing to 17.3%, and real wages began to recover according to INDEC. In June 2005, the Argentine government completed a restructuring of Argentina's public external debt, which had been in default since December 2001. Argentina reduced its outstanding principal amount of public debt from U.S.$ 191.3 billion to U.S.$ 129.2 billion and extended payment terms. In April 2010, the Argentine government launched a new exchange offer for the outstanding sovereign bonds that did not participate in the 2005 restructuring. On January 3, 2006, Argentina completed an early repayment of all of its outstanding indebtedness with the IMF, for an amount totaling approximately U.S.$ 10.0 billion owing under credit lines.

From 2003 to 2007, the economy continued recovering from the 2001 economic crisis. The economy grew by 8.8% in 2003, 9.0% in 2004, 9.2% in 2005, 8.5% in 2006 and 8.7% in 2007, led by domestic demand and exports. From a demand perspective, private sector spending was accompanied by a combination of liberal monetary and conservative fiscal policies. Growth in spending, however, consistently exceeded the rate of increase in revenue and nominal GDP growth. From a supply perspective, the trade sector benefited from a depressed real exchange rate, which was supported by the intervention of the Central Bank in the foreign exchange market. Real exports improved, in part due to growth in Brazil, and the current account improved significantly, registering surpluses in 2004, 2005, 2006 and 2007.

On December 10, 2007, Cristina Fernández de Kirchner, wife of the ex-President Dr. Néstor Kirchner, was inaugurated as President of Argentina for a four-year term.

Argentina's economy grew by 7% in 2008, 19.5% less than in 2007. According to the INDEC, growth was negative in both the first and the fourth quarter of 2008 (-0.3% for both periods) as compared to the same periods in 2007, without adjusting for seasonality. This negative growth is primarily attributable to the conflict between the Argentine government and farmers in early 2008 and the global financial crisis, which deepened in the second half of 2008.

The agricultural sector was particularly hard hit in 2008 as a result of the decrease in commodities prices as well as a significant drought. A decline in the agricultural sector had adverse ramifications for the entire economy due to the significant role that sector plays in the Argentine economy.

At the end of 2008, the Argentine government enacted a series of measures aimed at counteracting the decline in the level of economic activity, including special tax rates and less stringent foreign exchange restrictions in connection with the repatriation and national investment of capital previously deposited abroad by Argentine nationals, extensions in the payment terms for overdue taxes and social security taxes, reductions in payroll tax rates for companies that increase their headcounts, creation of the *Ministerio de Producción* (Ministry of Production), announcements regarding the construction of new public works, consumer loans for the acquisition of durable goods and loans to finance exports and working capital for industrial companies, as well as various agricultural and livestock programs, all aimed at minimizing lay-offs during the current global financial crisis. The effectiveness of these measures will depend on the Argentine government's ability to fund them without reducing the amount of funding for other budgeted activities as well as the degree of confidence they create in the overall stability of the Argentine economy.

In 2009, after six years of robust and continuous growth, the Argentine economy, according to official indicators, grew by only 0.1%, and according to private indicators, contracted by 3.5%. The Central Bank, reacting to local uncertainty and a bleak global economic environment, adopted policies aimed at avoiding a financial collapse. Specifically, the Central Bank sought to stabilize the exchange market. Although interest rates increased periodically during the course of the year, the exchange market remained relatively stable throughout.

According to official indicators, in 2011, real GDP in Argentina grew by approximately 6.0%, furthering the growth trend showed in 2010. The four most important factors behind the economic recovery are the following:

- the agricultural boom, with a record harvest (especially soybeans);
- a favorable international context (with Brazil growing at a 2.7% rate in 2011, which had a positive effect on the local industrial sector, and China pushing the demand for commodities in an environment of high prices);
- a climate of financial stability prevented major shocks in the short term, primarily due to an oversupply of private dollars and a reduced probability of sovereign default in the short term; and
- an expansionary economic policy program (fiscal, monetary and income).

According to the INDEC, Argentina's real GDP grew around 2.4% in 2013, compared to -a contraction by 1.0% in 2012.

The increase in the agricultural harvest (the agricultural production during the season 2012/13 was approximately 11% higher than the one registered for the previous season), in a context where international prices of commodities remained high, with greater financial stability in global markets (resulting from a more stable situation in Europe and a strengthened, though slow, growth in the United States). These were the main factors behind the accelerated rate of the economic growth during 2013.

According to official indicators (data published by INDEC), in 2014, the economic activity contracted by approximately -2.5%, compared to a growth by 2.4% in 2013.

Private consumption contracted by 0.8% in 2014. The weakening of the internal demand was the main factor in the contraction of the economy, and can be explained in part by an increase in internal prices due to the financing of the fiscal imbalance by Central Bank to Treasury. In 2014 the public accounts contracted 1.2% of GDP compared to a contraction of 0.6% in 2013. The weaker performance of the private sector was mainly due to an increase in prices, a loss of the Peso's purchasing power, a nominal slowdown in credit extended to the private sector and a greater propensity in customers for saving in times of uncertainty.

Regarding internal market, on January 2014, the Peso lost approximately 19% of its value with respect to the US Dollar. During the following month of 2014, the US Dollar remained relatively stable.

During 2015, the economy registered a positive growth, of approximately 2.6%. The level of activity was driven by the effect that the summer crop had on GDP growth in the second and third quarter, while during the last months of the year the economy evidenced a more moderate expansion.

In terms of supply, industrial production continued showing a poor performance, the exchange rate lag, restrictions to import intermediate goods, the deceleration of the main Argentine commercial partners' growth and a weak domestic and external demand impacted on the performance of the manufacturing activity. In terms of expenses, consumption showed a good performance even though consumers continued acting with caution.

With reference to inflationary issues, a significant deceleration in the increase of prices was observed during the first half of 2015, related with the high 2014 baseline. Throughout the last months of the year, retail prices relatively picked up although the average growth rate was lower than that of the previous year.

In January 2016, the new INDEC authorities appointed by the Macri administration announced the discontinuation of the methodology used by the Fernandez de Kirchner administration to measure

inflation and declared a state of administrative emergency in the national statistics system, suspending the publication of all indices until the INDEC is able to calculate such indices based on accurate official data. See "Item 3. Key Information—Risk factors—Risks Relating to Our Business—The impact of the congressional and presidential elections on the future economic and political environment of Argentina remains uncertain, but likely to be material."

On December 17, 2015, the Peso depreciated approximately 36% against the U.S. Dollar following the announcement of the lifting of a significant portion of exchange restrictions (See "—Risk Factors—Factors Relating to Argentina—Fluctuations in the value of the Peso could adversely affect the Argentine economy and, in turn, adversely affect our results of operations"), which caused the Peso to U.S. Dollar exchange rate to reach Ps.13.40 to U.S.$1.00 as of December 31, 2015.

In 2016, the economy contracted by around 2.0% and 2.5%. Although the economic activity showed a slight improvement during the last months of the year, 2016 was a recessive year.

The negative results may be explained by the deepening contraction in certain sectors that performed poorly in terms of activity. In this sense, during the second quarter, lower levels of agricultural production were exacerbated by a lower than expected harvest (affected by unusual rains), in addition to a deep fall in the construction activity and a drop in the activity of the retail sector. Industrial production also showed a weak performance.

In terms of inflation, the pace of growth of domestic prices accelerated during the first half of 2016 as a result of the increase in the value of the U.S. Dollar relative to the Peso in the official market. In addition, monthly price increases in the first half of 2016 were mainly related to an update of some regulated prices such as public utility tariffs (gas and electricity prices) and urban transport, mainly in the Buenos Aires metropolitan region. As of the third quarter, price increases began to slow down: the absence of new tariff increases, the stagnation of economic activity, the relative low price of the U.S. Dollar in the local market and the restrictive monetary policy, through high interest rates that seek to contain the currency pressure, drove the deceleration in inflation, which slowed to a monthly average of 1.1% in the July-September 2016 period. During the last quarter of 2016, the monthly average was 1.7%, and the annual rate of increase in consumer prices ended the year slightly below 40%. The formal adoption of the inflation targeting system in September of 2016 sought to consolidate the gradual deceleration of inflation, leading to an annual target of 5.0% for 2019.

After the currency devaluation at the beginning of the Macri administration, the Central Bank changed to a flexible exchange market regime, which resulted in a unified foreign exchange system. In 2016, some modest depreciation pressure following Brexit in June and the U.S. election on November 8, 2016, caused the Peso to weaken, ending at Ps. 16.10 to U.S.$1.00 on December 31, 2016. By the end of the year, the Peso depreciated by approximately 20% against the U.S. Dollar.

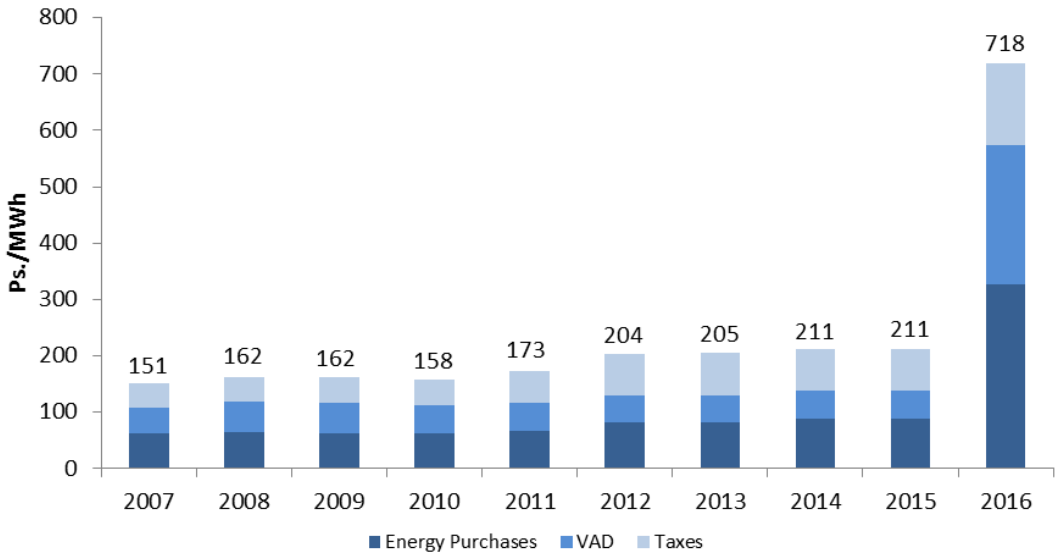
Outlook for 2017

Forecasts show that GDP will grow by approximately 3.0% in 2017, mainly supported, by the recovery of public consumption, private consumption and an increase in exports. The unification in the foreign exchange system, the elimination of the restrictions on commercial trade and export laws, and other decisions are expected to allow the Argentine economy to grow again. In this context, the expectation of a higher internal and external demand would stimulate the productive sectors, along with the consolidation of the disinflation process, would promote the recovery of the private consumption.

Tariffs

Our revenues and margins are substantially dependent on the composition of our tariffs and on the tariff setting and adjustment process contemplated by our concession.

The following chart shows the variation in Edenor's average tariffs, including taxes, in Pesos per MWh in the periods indicated:



Our tariffs for all of our customers (other than customers in the wheeling system) are composed of:

- the cost of electric power purchases, which we pass on to our customers, and a fixed charge (which varies depending on the category and level of consumption of each customer and their energy purchase prices) to cover a portion of our energy losses in our distribution activities (determined by reference to a fixed percentage of energy and power capacity for each respective voltage level set forth in our concession);
- our regulated distribution margin, which is known as the value-added for distribution, or VAD, and the fixed and variable charges of the Resolution No. 347/12, rendered ineffective since February 2017 by Resolution No. 63/17; and
- any taxes imposed by the Province of Buenos Aires or the City of Buenos Aires, which may differ in each jurisdiction.

Certain of our large users (which we refer to as wheeling system customers) are eligible to purchase their energy needs directly from generators in the WEM and to acquire from us only the service of delivering that electricity to them. Our tariffs for these large users (known as wheeling charges) do not include, therefore, charges for energy purchases. Accordingly, wheeling charges consist of the fixed charge for recognized losses (determined by reference to a fixed percentage of energy and power capacity for each respective voltage level set forth in our concession) and our distribution margin. As a result, although the amounts billed to wheeling system customers are relatively lower than those billed to other large users, namely industrial users, the distribution margin on sales to wheeling system customers is similar to that of other large users because we do not incur the corresponding cost of electric power purchases related to those sales.

Recognition of Cost of Electric Power Purchases

As part of our tariffs, we bill our customers for the costs of our electric power purchases, which include energy and capacity charges. In general, we purchase electric power at a seasonal price, which is approved by the ENRE every six months and reviewed quarterly. Our electric power purchase price reflects transportation costs and certain other regulatory charges (such as the charges imposed by the *Fondo Nacional de Energía Eléctrica* -National Electricity Energy Fund-).

According to the current regulatory framework, the ENRE is required to adjust the seasonal price charged to distributors in the WEM every six months. However, between January 2005 and November 2008, the ENRE did not make these adjustments. In November 2008, the ENRE issued Resolution No. 628/08, which established new tariffs applied by Edenor as of October 1, 2008 (see

"Tariffs—Distribution margin or value added for distribution (VAD)—Adjustment Agreement") and modified seasonal prices charged to distributors, including the consumption levels that make up the pricing ladder. The pricing ladder set prices according to the following levels of consumption: bimonthly consumption up to 1,000 kWh; bimonthly consumption greater than 1,000 kWh and less than or equal to 1,400 kWh; bimonthly consumption greater than 1,400 kWh and less than or equal to 2,800 kWh; and bimonthly consumption greater than 2,800 kWh. In 2012, pursuant to Resolution No. 90688/2009, approximately 290,000 customers were exempted from paying the prices set forth by Resolution No. 628/2008 of the ENRE. In addition, the ENRE authorized us to pass through some regulatory charges associated with the electric power purchases to our customers, excluding residential customers with bi-monthly consumption levels below 1,000 kWh.

On November 7, 2011, through Resolution No. 1301/2011 of the SE, a new unsubsidized tariff scheme applicable to non-residential customers grouped together by certain economic activities came into effect. According to this new tariff scheme, depending on the final seasonal schedule for the period November 2011 and April 2012 for the Wholesale Electricity Market, the affected customers will pay an average price of $ 320/MWh as from December 2011.

On November 24, 2011, through joint Resolution No. 218 of the Undersecretary for Coordination and Management Control, Ministry of Planning and Resolution No. 799 of the Budget Undersecretary of Ministry of Finance of the Ministry of Economy and Public Finance, the removal of subsidies as from the January 1, 2012 applied to certain residential areas within the City of Buenos Aires, including the neighborhoods of Puerto Madero, Barrio Parque, Recoleta, portions of Palermo and certain closed community neighborhoods in the northern part of the Greater Buenos Aires Metropolitan Area.

On December 2, 2011, through joint Resolution No. 229 of the Undersecretary for Coordination and Management Control, Ministry of Planning and Resolution No. 810 of the Budget Undersecretary of Ministry of Finance of the Ministry of Economy and Public Finance, the removal of subsidies as from January 1, 2012 applied to certain high-end residential type buildings in the City of Buenos Aires and to certain public agencies pertaining to the government of the City of Buenos Aires, as well as to the concessionaire of the highway network in the City of Buenos Aires.

On December 5, 2011, Resolution No. 1,537/2011 of the SE implemented the Volunteer Waiver Form Subsidy.

On May 8, 2012, Resolution No. 2,883/2012 of the SE instructed the Company to apply a methodology to stabilize the bills, in order to minimize the effects of the seasonal consumption of all the residential customers. The application of this methodology is optional for these costumers.

Average consumption is determined based on the consumption recorded for the last two-month consumption periods. The stabilization factor results from the difference between the aforementioned average consumption and the current two-month consumption period. This value is added to or subtracted from the two-month consumption period charges, and the result obtained is the amount to be paid before the applicable taxes. Adjustments to be made in accordance with the differences between average consumption and recorded consumption will be reflected in consumer bills for the last two-month consumption period of each calendar year. The differences that arose as a consequence of comparing the annual average consumption to the current two-month consumption period have been recorded at the end of each period in the trade receivables in the Statement of Financial Position account, crediting or debiting the account as applicable, depending on whether the annual average consumption is higher or lower than the current two-month consumption period. Resolution No. 7/16 repealed the stabilization factor.

During 2015, the customers who are not subsidized continued paying a monomial price of Ps. 320 /MWh, as set by Resolution No 324/2008 of the SE.

On January 25, 2016, the ME&M issued Resolution No. 6/16, approving the seasonal WEM prices for each category of users for the period from February 2016 through April 2016. Such Resolution adjusted the seasonal prices as required by the regulatory framework. Energy prices in the spot market were set by CAMMESA, which determined the price to be charged by generators for energy sold in the spot market of the WEM on an hourly basis. The WEM prices result in the elimination of certain energy subsidies and a substantial increase in electricity rates for individuals. Resolution No. 6/16 introduced different prices depending on the categories of customers. Such resolution also contemplates a social tariff for residential customers who comply with certain consumption requirements, which includes a full

exemption for monthly consumptions below or equal to 150 Kwh and tariffs benefits for customers who exceed such consumption level but achieve a monthly consumption lower than that of the same period in the immediately preceding year.

The new prices established by such Resolution are fixed as follows: (1) for customers whose power demand exceeds 300 kw, the power reference price is 1,427 Ps./Mw-month and the electricity reference price is approximately 770 Ps./MWh (due to the differences established between the peak, rest and off-peak prices); (2) for customers whose power demand does not exceed 300 kw, the electricity reference price is 320 Ps./MWh.; (3) for customers whose power demand do not exceed 10kw (considered residential customers) who achieve an energy consumption saving between the 10% and 20% compared to the same period in the year 2015 (Stimulus Plan), the electricity reference price is 250 Ps./MWh; and for those whose energy consumption saving exceeds 20% compared to the same period in 2015, the reference price is 200 Ps./MWh; (4) for customers whose power demand does not exceed 10 kw (considered residential customers) and who have been granted the Social Tariff, the first 150 KWh consumed in the month are without charge. The energy consumption exceeding said level, but which at the same time is inferior or equal to the consumption incurred in the same period in 2015, obtain a reference price of 30 Ps./MWh. Finally, the energy consumption exceeding 150 KWh and which at the same time is superior to the consumption of the same period in 2015 obtain a reference price of 320 Ps./MWh.

On February 1, 2017, Resolution No. 20 – E/2017 dated January 27, 2017, of the SEE was published on the Official Gazette by means of which the Summer Seasonal Rescheduling for the WEM was approved corresponding to the period held between February 1 and April 30, 2017.

The new prices established were set as follows (taking the energy reference peak price for all cases): (1) for customers whose power demand exceeds 300 kw, the power reference price is 3,157 Ps./Mw-month and the electricity reference price is 1,070.11 Ps./MWh; (2) for customers whose power demand do not exceed 300 kw, the electricity reference price is 640 Ps./MWh.; (3) for customers whose power demand do not exceed 10 Kw (acknowledged as residential customers) who achieve an energy consumption saving between the 10% and 20% compared to the same period in the year 2015, electricity reference price is 480 Ps./MWh; and for those whose energy consumption saving exceeds 20% compared to the same period in 2015, the reference price is 320 Ps./MWh; (4) for customers whose power demand do not exceed 10 Kw (considered residential customers) and who have been granted the Social Tariff, the first 150 KWh consumed in the month are without charge. The energy consumption exceeding said level, but which at the same time is inferior or equal to the consumption incurred in the same period in 2015, obtain a reference price of 96 Ps./MWh. In those cases when the energy consumption exceeds 150KWh, and at the same time it is superior to the consumption of the same period in 2015 but do not exceed the 450Kwh/month, the reference price is 320 Ps./MWh. Last, if the energy consumption exceeds 150Kwh and at the same time it is superior to the consumption in the same period in 2015 and exceeds 450Kwh/month, the reference price is 640 Ps./MWh. For all the reference prices mentioned, a differentiated reduction is included in the categories resulting from the power demand, exclusively for February 2017.

Resolution No. 20 – E/2017 incorporated a new category of consumer denominated "electricity-dependent customer". An electricity dependent customer is a person who registers an extraordinary consumption of electrical energy by requiring special equipment and / or infrastructure for a disease diagnosed by a physician or needing a stable and permanent electrical service to meet medical needs within their home. The resolution established the provision of 600KWh per month free of charge and an electricity reference price that varies according to the level of savings and demands registered compared to the previous month. In addition, it stipulates that as from February 2017, the maximum spot price for the approval of the WEM is 240 Ps./MWh and fixes the charge value corresponding to the National Fund for Electric Energy at 15.50 Ps./MWh.

We purchased a total of 22,827 GWh in 2016, 22,126 GWh in 2015 and 20,694 GWh in 2014 (excluding wheeling system demand). Until 2004, we purchased a portion of our energy needs under long-term supply contracts. Following the adoption of certain amendments to the pricing rules applicable to the WEM pursuant to the Public Emergency Law, however, we have purchased all of our energy supply in the WEM at the spot price ever since. We have not purchased any energy under long-term supply contracts since 2004.

Recognition of cost of energy losses

Energy losses are equivalent to the difference between energy purchased (including wheeling system demand) and energy sold. These losses may be classified as technical and non-technical losses.

Technical losses represent the energy that is lost during transmission and distribution within the network as a consequence of natural heating of the conductors and transformers that transmit electricity from the generating plants to the customers. Non-technical losses represent the remainder of our energy losses and are primarily due to illegal use of our services. Energy losses require us to purchase additional electricity to satisfy demand and our concession allows us to recover from our customers the cost of these purchases up to a loss factor specified in our concession for each tariff category. Our loss factor under our concession is, on average, 10%. Our management is focused on taking the necessary measures to ensure that our energy losses do not increase above current levels because of their direct impact on our gross margins. However, due to the inefficiencies associated with reducing our energy losses below the level at which we are reimbursed pursuant to our concession (i.e., 10%), we currently do not intend to significantly lower our level of losses.

At the time of our privatization, our total energy losses represented approximately 30% of our energy purchases, of which more than two thirds were non-technical losses attributable to fraud and illegal use of our service. Beginning in 1992, we implemented a loss reduction plan (*plan de disciplina del mercado*, or market discipline plan) that allowed us to gradually reduce our total energy losses to 10% by 2000, with non-technical losses of 2.7%. However, beginning in mid-2001 and up until 2004, we experienced an increase in our non-technical losses, as the economic crisis eroded the ability of our customers to pay their bills, and in our technical losses in proportion to the increased volume of energy we supplied during those periods. Our total losses amounted to 17.0% in 2016, 14.9% in 2015 and 14.3% in 2014.

The following table sets forth our estimated breakdown between technical and non-technical energy losses experienced in our concession area in the last years. We believe that non-technical losses could increase in 2017 following the establishment of the new tariff structure pursuant to Resolution No 63/2017 of the ENRE.

	Year ended December 31,		
	2016	**2015**	**2014**
Technical losses	9.6%	10.0%	9.1%
Non-technical losses	7.4%	4.9%	5.2%
Total losses	**17.0%**	**14.9%**	**14.3%**

Our capital expenditure program includes investments to improve and update our network, which we believe will allow us to maintain our technical losses at current levels despite further increases in demand. See “Item 4. Information on the Company—Business Overview—Energy losses”.

Distribution margin or value-added for distribution (VAD)

Our concession authorizes us to charge a distribution margin for our services to seek to cover our operating expenses, taxes and amortization expenses and to provide us with an adequate return on our asset base.

Historical Overview of VAD. Our concession originally contemplated a fixed distribution margin for each tariff parameter with semiannual adjustments based on variations in the U.S. wholesale price index (67% of the distribution margin) and the U.S. consumer price index (the remaining 33% of the distribution margin). However, pursuant to the Public Emergency Law, all adjustment clauses in U.S. Dollars or other foreign currencies and indexation clauses based on foreign indexes or other indexation mechanisms included in contracts to be performed by the Argentine government were revoked. As a result, the adjustment provisions contained in our concession are no longer in force and, from January 2002 through January 2007, we were required to charge the same fixed distribution margin in Pesos established in 2002, without any type of currency or inflation adjustment. These measures, coupled with the effect of accumulated inflation since 2002 and the devaluation of the Peso, have had a material adverse effect on our financial condition, results of operation and cash flows, leading us to record net losses.

Adjustment Agreement. On September 21, 2005, we entered into the *Acta Acuerdo sobre la Adecuación del Contrato de Concesión del Servicio Público de Distribución y Comercialización de Energía Eléctrica* (Adjustment Agreement), an agreement with the Argentine government relating to the

adjustment and renegotiation of the terms of our concession. Because a new Minister of Economy took office thereafter, we formally re-executed the Adjustment Agreement with the Argentine government on February 13, 2006 under the same terms and conditions originally agreed. The ratification of the Adjustment Agreement by the Argentine government was completed in January 2007. Pursuant to the Adjustment Agreement, the Argentine government granted us an increase of 28% in our distribution margin, which includes a 5% increase to fund specified capital expenditures we are required to make under the Adjustment Agreement. See "Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Capital expenditures." This increase was subject to a cap in the increase of our average tariff of 15%. Although this increase was applied to the distribution margin as a whole, the amount of the increase was allocated to our non-residential customers (including large users that purchase electricity in the wheeling system) only, which, as a result, experienced an increase in VAD greater than 28%, while our residential customers did not experience any increase in VAD. The increase was effective retroactively from November 1, 2005 and remained in effect until the approval of the new tariff scheme under the RTI, in February 2017.

The Adjustment Agreement also contemplated a cost adjustment mechanism for the transitional period during which the RTI process was being conducted. This mechanism, known as the Cost Monitoring Mechanism, or CMM, required the ENRE to review our actual distribution costs every six months (in May and November of each year). If the variation between our actual distribution costs and our recognized distribution costs (as initially contemplated in the Adjustment Agreement or, if adjusted by any subsequent CMM, the most recent distribution cost base established by a CMM) was 5% or more, the ENRE was required to adjust our distribution margin to reflect our actual distribution cost base. The ENRE's review was based on our distribution costs during the six-month period ending two months prior to the date on which the ENRE was required to apply the cost adjustment mechanism (on May 1 and November 1) and any adjustment would become effective from such date. The CMM took into consideration, among other factors, the wholesale and consumer price indexes, exchange rates, the price of diesel and construction costs and salaries, all of which are weighted based on their relative importance to operating costs and capital expenditures. We could also request that the CMM to be applied at any time that the variation between our actual distribution costs and our then recognized distribution costs was at least 10% or more, and any adjustment to our distribution cost base that resulted from this CMM would become effective retroactively from the date we presented the CMM request to the ENRE.

On January 30, 2007, the ENRE formally approved our new tariff schedule reflecting the 28% increase in the distribution margins charged to our non-residential customers contemplated by the Adjustment Agreement. In addition, because the Adjustment Agreement is effective retroactively from November 1, 2005, the ENRE applied the CMM retroactively in each of May and November 2006, the dates in each year on which the ENRE is required to apply the CMM. In the May 2006 CMM, the ENRE determined that our distribution cost base had increased by 8.032% (compared to the distribution cost base originally recognized in the Adjustment Agreement), and, accordingly, approved an equivalent increase in our distribution margins effective May 1, 2006. This increase, when compounded with the 28% increase granted under the Adjustment Agreement, resulted in an overall 38.3% increase in our distribution margins charged to our non-residential customers. In the November 2006 CMM, the ENRE determined that our distribution cost base had increased by 4.6% (compared to our distribution cost base as adjusted by the May 2006 CMM), and accordingly, did not approve any further increase in our distribution margins at such time. The ENRE also authorized us to charge our non-residential customers the retroactive portion of these tariff increases for the period from November 2005 through January 2007, which amounted in the aggregate to Ps. 218.6 million and, at December 31, 2011, had been fully invoiced.

Between 2007 and 2016, we requested several CMM adjustments, which were recognized by the ENRE through different resolutions and notes (Resolution No. 1,037/07, Note No. 81,399, Resolution No. 250/13 and Resolution No. 32/15). Only two adjustments were recognized in a timely manner and were incorporated into the tariff structure, while the rest of them were recognized belatedly and not incorporated into our tariff structure.

On November 23, 2012, the ENRE issued Resolution No. 347/2012, pursuant to which it established a fixed and variable charge differentiated by category of customers, which the distribution companies will collect on account of the CMM adjustments stipulated in clause 4.2 of the Adjustment Agreement, and will use exclusively to finance infrastructure and corrective maintenance of their facilities. Such charges, which were clearly identified in the bills sent to customers, were deposited in a special account to be managed by a Trustee. Such amounts were used exclusively to finance infrastructure and corrective maintenance of the facilities.

Pursuant to the SE's Resolution No. 250/13 and Notes No. 6,852/13, No. 4,012/14, No. 486/14 and No. 1,136/14 of the SE, the Company was authorized to compensate its debt registered under the PUREE against CMM recognitions for the period from May 2008 through December 2014.

In addition, CAMMESA was instructed to issue sale settlements with maturity dates to be determined for the surplus generated after compensation between the credits of the CMM and the PUREE debts, to partially compensate the debt with the WEM. We were also entitled to deposit the remaining sale settlements with maturity dates to be determined in the trust created pursuant to ENRE's Resolution No. 347/2012. As of the date of this annual report, all the sale settlements with maturity dates to be determined issued by CAMMESA were compensated with PUREE debts or with Commercial debt with CAMMESA.

As from February 1, 2015, pursuant to Resolution No. 32/15 of the SE, PUREE funds were considered as part of Edenor's income on account of the future RTI. We compensated up to January 31, 2015, the debts for PUREE, with claims arising from the calculation of CMM until that date, including the application of interest that could correspond to both concepts.

In January 2016, the ME&M issued Resolution No. 7/2016, pursuant to which the ENRE implemented a VAD adjustment to the tariff schedule on account of the future RTI in effect as of February 1, 2016, and took all the necessary actions to conclude the RTI process by December 2016.

In addition, such resolution: (i) abrogated the PUREE; (ii) repealed Resolution No. 32/2015 as from the date the ENRE resolution implementing the new tariff schedule; (iii) discontinued the application of mechanisms that imply the transfer of funds from CAMMESA in the form of loan agreements with CAMMESA; and (iv) ordered the implementation of the actions required to terminate the trusts created pursuant to Resolution No. 347/2012 of the ENRE. Resolution No. 2/2016 of the ENRE partially repealed Resolution No. 347/2012, discontinuing the FOCEDE and ordering us to open a special bank account with a Central Bank authorized entity where the funds received pursuant to Resolution No. 347/2012 were deposited through February 2016. Pursuant to Resolution No. 7/16, the ENRE issued Resolution No. 1/16 establishing a new tariff structure.

Integral Tariff Revision. During the year 2016, the Company, guided by the ENRE, complied with all the procedural obligations required to complete the RTI process set forth in the Adjustment Agreement, following ENRE's guidance. The RTI process was completed on February 1, 2017, on which date the ENRE issued Resolution No. 63/2017. Such resolution established a new tariff schedule which included a VAD maximum increase of 42% for February 2017, as well as two additional phase increases for the months of November 2017 and February 2018.

The following table sets forth the relative weight of our distribution margin in our average tariffs per category of customer (other than wheeling system, public lighting and shantytown customers) in our concession area at the dates indicated. Although the VAD and electric power purchases per category of customer are the same, we are subject to different taxes in the Province of Buenos Aires and the City of Buenos Aires.

	VAD								Average Taxes								Electric Power Purchases							
Tariff[1]	November 2001	January 2005	February 2007	October 2008	Res.1301 2011[2]	Res. 1 2016[3]	Res. 92/17 Feb. 2017	Res. 92/17 Mar. 2017	November 2001	January 2005	February 2007	October 2008	Res.1301 2011[2]	Res. 1 2016[3]	Res. 92/17 Feb. 2017	Res. 92/17 Mar. 2017	November 2001	January 2005	February 2007	October 2008	Res.1301 2011[2]	Res. 1 2016[3]	Res. 92/17 Feb. 2017	Res. 92/17 Mar. 2017
Residential																								
TIR1 (0-300)	49.40%	44.50%	44.50%	44.69%	11.26%	30.63%	26.60%	19.07%	28.70%	28.70%	28.70%	28.70%	28.70%	28.70%	28.70%	28.70%	21.90%	26.80%	26.80%	26.61%	60.00%	40.65%	44.71%	52.23%
TIR12 (301-650)	36.20%	33.00%	33.00%	30.81%	4.80%	15.40%	23.49%	16.54%	29.20%	29.20%	29.20%	29.23%	29.23%	29.23%	29.23%	29.23%	34.60%	37.80%	37.80%	39.95%	65.91%	55.33%	47.28%	54.23%
TIR# (651-800)				32.08%	4.55%	14.48%	26.66%	19.15%				29.23%	29.23%	29.23%	29.23%	29.23%				38.68%	66.15%	56.23%	44.11%	51.61%
TIR4 (801-900)				31.63%	4.32%	13.91%	29.46%	21.55%				29.23%	29.23%	29.23%	29.23%	29.23%				39.13%	66.39%	56.81%	41.30%	49.22%
TIR5 (90-1000)				32.75%	4.35%	14.04%	33.25%	24.91%				29.23%	29.23%	29.23%	29.23%	29.23%				38.02%	66.37%	56.69%	37.51%	45.86%
TIR6 (1001-1200)				26.29%	4.19%	15.98%	37.51%	28.95%				29.23%	29.23%	29.23%	29.23%	29.23%				44.48%	66.51%	54.73%	33.26%	41.81%
TIR 7 (1201-1400)				27.18%	3.98%	15.25%	41.21%	32.64%				29.23%	29.23%	29.23%	29.23%	29.23%				43.59%	66.73%	55.47%	29.55%	38.13%
TIR8 (1401-2800)				25.94%	4.81%	17.83%	45.69%	37.36%				29.23%	29.23%	29.23%	29.23%	29.23%				44.83%	65.89%	52.88%	25.08%	33.40%
TIR9 (> 2800)				22.50%	3.84%	14.81%	46.83%	38.62%				29.23%	29.23%	29.23%	29.23%	29.23%				48.26%	66.88%	55.92%	23.93%	32.15%
Commercial - small demands																								
TIG1	55.10%	40.00%	47.80%	48.76%	21.91%	53.18%	53.79%	45.89%	25.70%	25.70%	25.70%	25.68%	25.68%	25.68%	25.68%	25.68%	19.20%	34.30%	26.50%	25.55%	52.34%	21.11%	20.53%	28.43%
TIG2	53.60%	31.10%	43.60%	42.39%	15.97%	41.52%	52.94%	44.89%	25.60%	25.60%	25.60%	25.64%	25.64%	25.64%	25.64%	25.64%	20.70%	43.20%	30.70%	31.97%	58.29%	32.79%	21.42%	29.47%
TIG3				37.40%	9.13%	24.24%	52.74%	44.65%				25.63%	25.63%	25.63%	25.63%	25.63%				37.57%	65.12%	48.04%	21.63%	29.71%
Commercial - medium demand																								
T2	43.30%	27.90%	35.50%	38.03%	16.03%	44.80%	74.36%	74.36%	25.60%	25.60%	25.60%	25.63%	25.63%	25.63%	25.63%	25.63%	31.00%	46.40%	38.90%	36.34%	58.15%	29.47%	0.00%	0.00%
Industrial																								
T3 low voltage below 300kw	44.20%	26.50%	34.30%	37.86%	15.37%	43.74%	46.90%	37.97%	25.70%	25.70%	25.70%	25.66%	25.66%	25.66%	25.66%	25.66%	30.10%	47.80%	40.10%	36.48%	58.84	30.53%	27.44%	36.36%
T3 low voltage over 300kw	42.60%	24.50%	32.10%	27.09%	11.99%	22.80%	23.80%	23.52%	25.60%	25.60%	25.60%	25.62%	25.62%	25.62%	25.62%	25.62%	31.80%	49.90%	42.30%	47.29%	62.29	51.55%	50.58%	50.86%
T3 medium voltage below 300kw	29.30%	14.10%	19.70%	25.25%	8.46%	30.72%	30.38%	22.08%	25.70%	25.70%	25.70%	25.68%	25.68%	25.68%	25.68%	25.68%	45.00%	60.30%	54.60%	49.06%	65.73	43.51%	43.94%	52.24%
T3 medium volgate over 300kw	27.30%	12.30%	17.50%	17.71%	7.09%	14.50%	13.19%	13.00%	25.70%	25.70%	25.70%	25.69%	25.69%	25.69%	25.69%	25.69%	47.00%	62.00%	56.80%	56.60%	67.11	59.77%	61.11%	61.31%
Average Tariff	41.20%	26.50%	33.90%	33.16%	9.57%	28.33%	39.08%	32.46%	27.20%	27.20%	27.20%	27.24%	27.24%	27.24%	27.24%	27.24%	31.50%	44.20%	38.90%	39.60%	63.10%	44.38%	33.69%	40.30%

(1) T1R1 refers to residential customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is less than or equal to 300 kWh. T1R2 refers to residential customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is greater than 300 kWh but less than 650 kWh. TIR3 refers to residential customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is greater than 650 kWh but less than 800 kWh. TIR4 refers to residential customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is greater than 800 kWh but less than 900 kWh. TIR5 refers to residential customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is greater than 900kWh but less than 1,000 kWh TIR6 refers to residential customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is greater than 1,000 kWh but less than 1,200 kWh. TIR7 refers to residential customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is greater than 1,200 kWh but less than 1,400 kWh. TIR8 refers to residential customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is greater than 1,400 kWh but less than 2,800 kWh. TIR9 refers to residential customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is greater than 2,800kWh. T1G1 refers to commercial customers whose peak capacity demand is less than 10kW and whose bimonthly energy demand is less than or equal to 1600 kWh. T1G2 refers to commercial customers whose peak capacity demand is less than 10 kW and whose bimonthly energy demand is greater than 1600 kWh but less than 4,000 kWh. T1G3 refers to commercial customers whose peak capacity demand is greater than 4,000 kWh. T2 refers to commercial customers whose peak capacity demand is greater than 10 kW but less than 50 KW. T3 refers to customers whose peak capacity demand is equal to or greater than 50 kW. The T3 category is applied to high-demand customers according to the voltage (tension) at which each customer is connected. Low tension is defined as voltage less than or equal to 1 kV and medium tension is defined as voltage greater than 1kV but less than 66 kV.

(2) On November 7, 2011, the SE issued Resolution No. 1,301/11, which established the summer scheduling, eliminating government grants to certain economic activities, which, in accordance with the provisions of the Resolution, are in conditions to pay the actual cost that needs to be incurred for being supplied with their demand of electricity. The removal of government grants has been extended to residential customers, who were classified by geographical areas and type of residence. The modification related only to electricity purchase prices in the Wholesale Electricity Market, for which reason the Company's VAD (value added for distribution) remained practically unchanged.

(3) On January 29, 2016, the ENRE issued Resolution No. 1/16 establishing a new tariff structure.

Integral Tariff Revision (RTI).

An integral tariff proposal includes, among other factors, a recalculation of the compensation we receive for our distribution services, including taxes that are not currently passed onto our customers (such as taxes on financial transactions), a revised analysis of our distribution costs, modifications to our quality of service standards and penalty scheme and, finally, a revision of our asset base and rate of return.

On April 1, 2016, by means of Resolution No. 55/16 issued by ENRE, the RTI process was approved, which set the criteria and methodology to be applied throughout the RTI process, as well as the corresponding working plan.

On August 29, 2016, the ENRE issued Resolution No. 494/16, through which it approved a rate of return for the Company of 12.46% before taxes.

In connection with the terms set forth in Resolution No. 55/16, on September 5, 2016, we submitted our electricity rate schedule proposal for the next five year period. For purposes of the rate proposal, we:

- determined the capital base using for such purpose the depreciated NRV method;
- submitted the 2017-2021 investment plan;
- submitted a detail of the operating expenses; and
- submitted all other data requested by the ENRE.

On September 28, 2016, the ENRE issued Resolution No. 522/16 pursuant to which it called for a public hearing with the purpose of providing information and hearing to the public with respect to the tariff proposal submitted by us for the 2017-2021 period. Such public hearing was held on October 28, 2016.

As a result and following the completion of the RTI process, on February 1, 2017, the ENRE issued Resolution No. 63/2017. Through this resolution, the ENRE approved a new tariff scheme which set our new distribution added value (VAD) for the following five-year period. Such income was established by applying the NRV methodology, but over a slightly lower base capital than the one we had submitted in our proposal, reaching an amount of Ps. 34 billion. The difference is mainly explained by the fact that the ENRE excluded the fully depreciated assets from the regulatory net asset base submitted. Moreover, the ENRE stated that our acknowledged remuneration was Ps. 12.5 billion as of December 2015, which adjusted through February 2017, reached Ps. 17.2 billion.

In connection with our operating expenses, these were set based on a model that values the resources required for our operations, in line with a "model company" with competent operation costs,

including some corrections resulting from the current inefficiencies detected in the company. In this regard, expenses were calculated annually based on the real network, by incorporating in each year the facilities needed to achieve the quality service required throughout the tariff period, with improvements in the facilities by increasing prevention related maintenance and projected investments, In this regard, the income requirements needed to cover the costs calculated for the 2017-2021 tariff period were established.

In relation to the new tariff schedule and tariff charges, the ENRE established a VAD increase in three stages, including an initial maximum increase of 42% to be applied as from February 1, 2017, and two subsequent increases in November 2017 (19%) and February 2018 (17%). In addition, the ENRE should acknowledge to the Company the difference in VAD resulting from the application of the gradual tariff increase recognized by the RTI in 48 installments as from February 1, 2018, which will be incorporated to the VAD value on such date. Furthermore, the fixed charge billing corresponding to Resolution No. 347/12 was set aside.

The ENRE also established a non-automatic mechanism to adjust our tariff, as it had done in the original Concession Contract and the Adjustment Agreement, in order to preserve the economic and financial sustainability of the concession in the event of prices variations in the economy. This mechanism has a six-month basis and includes a combined formula of wholesale and consumer price indexes (WPI, CPI and salaries increases) which trigger the adjustment of tariff when the result is above 5%.

In connection with quality standards, the ENRE approved new parameters with the purpose of achieving, by the end of the five-year period an acceptable quality. In this regard, it established a penalties regime to be applied in the event of noncompliance with the quality rates.

Notwithstanding the foregoing, as of the date of this annual report, the definition of the treatment to be granted by the SE to all the issues generated by the non-performance of the Adjustment Agreement, are still pending.

These issues include, among others:

i) the treatment of the outstanding balance caused by the mutuums executed to comply with the investment plan, granted to cover FOCEDE's insufficient funds;

ii) the treatment of the funds disbursed by us to comply with the investment plan, which were not reimbursed to the Company;

iii) the conditions for the cancellation of the outstanding balance with CAMMESA at the issuance date of Resolution SE No 32/15, for which the Company has submitted a payments plan;

iv) the treatment to be given to the penalties and reductions pending to be settled.

On April 26, 2017, following the completion of the RTI process through the issuance of Resolution ENRE No. 63/17, Edenor was notified by the ME&M of an instruction sent to the SEE pursuant to which the SEE was instructed to determine (along with the participation of the Undersecretariat for Coordination of Tariff Policies and the ENRE) within 120 days if any obligations under the Adjustment Agreement were pending as of the date the new tariff schedule resulting from the RTI process came into effect. If the SEE determines that any such obligation is pending, the SEE shall define the treatment to be given to such obligation.

Social Tariff Regime. According to the Adjustment Agreement, we will be required to apply a social tariff regime as part of our revised tariff structure resulting from the RTI. This regime is a system of subsidized tariffs for the poverty-stricken sectors of the community to be approved by the ENRE in the context of the RTI. The social tariff regime will provide poverty-stricken sectors of the community with the same service and quality of service as other users. The beneficiaries under this regime must register with the Argentine government and meet certain criteria, including not owning more than one home and having a level of electricity consumption that is not higher than a maximum to be established by the Argentine government. According to the Adjustment Agreement, the Argentine government will subsidize the increased costs associated with the social tariff regime in part with contributions by users

not subject to this regime. We will be required to cover a portion of these costs by not charging the beneficiaries of this regime for reconnection expenses and installation of new equipment, updating our billing system and granting payment plans to beneficiaries for existing past-due electricity bills. We currently anticipate that the incremental cost to us of providing services under the social tariff regime will not be significant. However, we cannot guarantee that the social tariff regime will be implemented in the manner, or under the terms, we currently anticipate.

In January 2016, through Resolution No. 6/16, the Argentine government introduced a social tariff for residential customers who comply with certain consumption requirements, which includes a full exemption for monthly consumptions below or equal to 150 Kwh and preferential tariffs for customers who exceed such consumption level but achieve a monthly consumption lower than that of the same period in the immediately preceding year.

Through Resolution No. 63/2017, the ENRE ratified this measure, maintaining the zero cost modality for monthly consumptions below or equal to 150 Kwh and preferential tariffs for consumption that exceeds such level, updating the values in accordance with the new tariff scheme.

Demand

Energy demand depends to a significant extent on economic and political conditions prevailing from time to time in Argentina, as well as seasonal factors. In general, the demand for electricity varies depending on the performance of the Argentine economy, as businesses and individuals generally consume more energy and are better able to pay their bills during periods of economic stability or growth. As a result, energy demand is affected by Argentine governmental actions concerning the economy, including with respect to inflation, interest rates, price controls, foreign exchange controls, taxes and energy tariffs.

The following table sets forth the amount of electricity generated in Argentina and our electricity purchases in each of the periods indicated.

Year	Electricity demand in Gwh[(1)]	Edenor demand in Gwh[(2)]	Edenor's demand as % of total demand
1995	57,839	11,629	20.1%
1996	61,513	12,390	20.1%
1997	66,029	13,046	19.8%
1998	69,103	13,768	19.9%
1999	71,689	14,447	20.2%
2000	75,591	15,148	20.0%
2001	78,098	15,414	19.7%
2002	76,483	14,865	19.4%
2003	82,261	15,811	19.2%
2004	87,477	16,673	19.1%
2005	92,340	17,623	19.1%
2006	97,590	18,700	19.2%
2007	102,950	20,233	19.7%
2008	105,959	20,863	19.7%
2009	104,592	20,676	19.8%
2010	110,767	22,053	19.9%
2011	116,418	23,004	19.8%
2012	131,944	23,933	18.1%
2013	125,162	24,902	19.9%
2014	126,397	24,860	19.7%
2015	132,020	26,322	19.9%
2016	132,950	26,838	20.2%

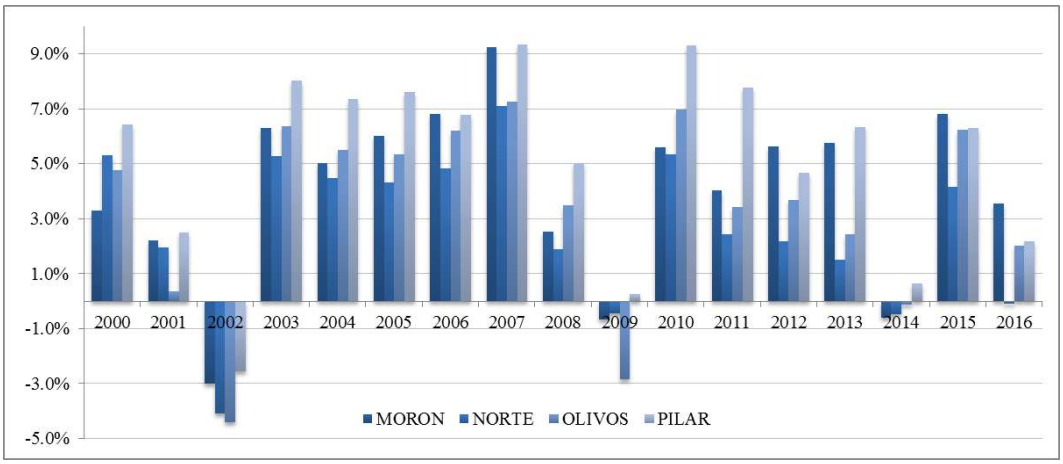
Source: Compañía Administradora del Mercado Mayorista Eléctrico, S.A. (CAMMESA)

(1) Includes demand in the Mercado Eléctrico Mayorista Sistema Patagónico (Patagonia wholesale electricity market, or MEMSP).

(2) Calculated as electricity purchased by us and our wheeling system customers.

Electricity demand in our concession area has grown an average of 4% per annum since 1995. The evolution of demand shows four growth periods interrupted by a slight decline in demand. In 2002, the decline was attributable to the economic crisis, while in 2009 it was a consequence of the global financial crisis. In 2014 a slight decrease was caused by the devaluation that took place in the second semester of such year, while in 2016 it was attributable to the tariff increases implemented in such year and to the decline in industrial activity.

The following graph represents the annual growth of energy purchased to satisfy the demand of each operating area within Edenor's concession from 2000 through 2016



Beginning in mid-2001 through 2002, the decline in the overall level of economic activity and the deterioration in the ability of many of our customers to pay their bills as a result of the crisis led to an overall decrease in demand for electricity and an increase in non-technical energy losses. After the economic crisis, however, demand started growing again, increasing an average of 4.3% per annum from 2003 through 2013. This increase in demand was due to renewed growth in the Argentine economy since the second half of 2003 and the relative low cost of energy to consumers, in real terms, resulting from the freeze of our distribution margin and the elimination of the inflation adjustment provisions of our concession in 2002. In 2016, our customer's demand decreased by 1% compared to 2015, mainly due to the tariff increase for residential customers and to the GDP decrease for industrial customers, whose joint participation represents more than 80% of the electricity consumption in our concession area.

The small commercial category of customers registered a decrease in demand in 2002, but recovered slightly after the initial effects of the economic crisis due to the sensitivity of customers in this category to the economic status of their small businesses. The medium commercial category of customers has generally demonstrated the same volatility in demand as low-demand customers in recent years.

Public lighting demand has declined significantly over the past few years due to the introduction of low-consumption lighting. We believe that the public lighting category will continue to register low demand despite continued economic expansion and urban development. After having increased significantly in 2005, demand in shantytowns stabilized in 2006, remaining in line with historic growth levels, and was below the increase in demand for our low demand residential category of customers. However, overall demand in this category is relatively small in comparison to other larger categories of our customers. See "Item 4. Information on the Company—Framework Agreement (Shantytowns)"

The Argentine government has also implemented the PUREE in an attempt to curb increases in energy demand by offering rewards to residential and small commercial customers who reduce their energy usage in comparison to their use in 2003. In 2005, the Argentine government implemented a second version of the PUREE (PUREE II), which rewards residential and small commercial customers based on their usage in 2003 and industrial customers based on their usage in 2004. The PUREE II also penalizes industrial customers whose usage exceeds 90% of the 2004 levels and penalizes residential customers with bi-monthly consumption levels at or above 300 KWh and small commercial customers whose usage exceeds 90% of their usage levels for 2003. Residential customers with consumption levels

below 300 KWh are exempt from penalty. In spite of the PUREE and PUREE II, energy demand has continued to increase during the three years it has been in effect.

On October 31, 2008, the SE adopted Resolution No. 1,170/08, which excludes all the T1G, T2, T3 and T1R customers with bi-monthly consumption levels over and above 1,000 KWh from receiving PUREE reward payments.

On March 2, 2010, the SE adopted Resolution No. 45/2010, which revised the calculation of the coefficient used to reward T1R customers with consumption levels below 1,000 KWh. This resolution decreased the rewards that such users are entitled to receive.

On January 25, 2016, through Resolution No. 7/16 the ME&M abrogated the PUREE.

We cannot assure you that the tariffs that result from the RTI or future economic, social and political developments in Argentina, over which we have no control, will not have an adverse effect on energy demand in Argentina. See "Item 3. Key Information—Risk factors—Risks related to the electricity distribution sector—Electricity demand may be affected by tariff increases, which may lead distribution companies, such as us, to record lower revenues."

Capacity demand

Demand for installed capacity to deliver electricity generally increases with growth in demand for electricity. However, since the 2001 and 2002 crisis, with the exception of the two thermal generation plants described below, no new generation plants have been built in Argentina. However, the Argentine government has implemented some economic incentives, such as those contained in the *Plus Energy* Program, which have served to increase generating capacity in existing generation plants such as Central Térmica Güemes and Central Loma de la Lata. A lack of generation capacity would place limits on our ability to grow and could lead to increased service disruptions, which could cause an increase in our fines. See "Item 3. Key Information—Risk factors—Risks Relating to the Electricity Distribution Sector—If we experience continued energy shortages in the face of growing demand for electricity, our ability to deliver electricity to our customers could be adversely affected, which could result in customer claims, material penalties, government intervention and decreased results of operations."

In response to the lack of private investment in new generation plants, the Argentine government undertook a project to construct two 800 MW thermal generation plants, Central Termoeléctrica Manuel Belgrano and Central Termoeléctrica General San Martín. Construction of these two plants was completed and operations commenced in 2009. The two plants were constructed with funds derived from three sources: net revenues of generators derived from energy sales in the spot market, a special charge to our non-residential customers per MWh of energy billed and a specific charge from CAMMESA applicable to large users. In addition to the construction of these two new thermal generation plants, in September 2006 the SE issued Resolution No. 1,281/06 in an effort to respond to the sustained increase in energy demand following Argentina's economic recovery after the crisis. This resolution seeks to create incentives for energy generation plants to meet increasing energy needs. The government has also required us to finance 24% and Edesur 26%, of the construction costs of two high-tension 220 kV lines between the *Central Puerto* and *Central Costanera* generators and the *Malaver* network, which provide access to an additional 600MW of energy from the *Central Puerto* and *Central Costanera* generators that currently cannot be distributed due to saturation of their grids. In May 2012, we finished the construction of the 220kV linking lines of the local generators Central Puerto and Central Costanera with Edenor network, through Malaver substations. This extension was decided by the Resolution No. 1,875/05 of the SE and it allows an increase in supply capacity by 600 MW from Central Puerto and Central Costanera generators. In December 2012, the third transformer of 300 MVA-220/132 kV was put into service in Malaver's substation.

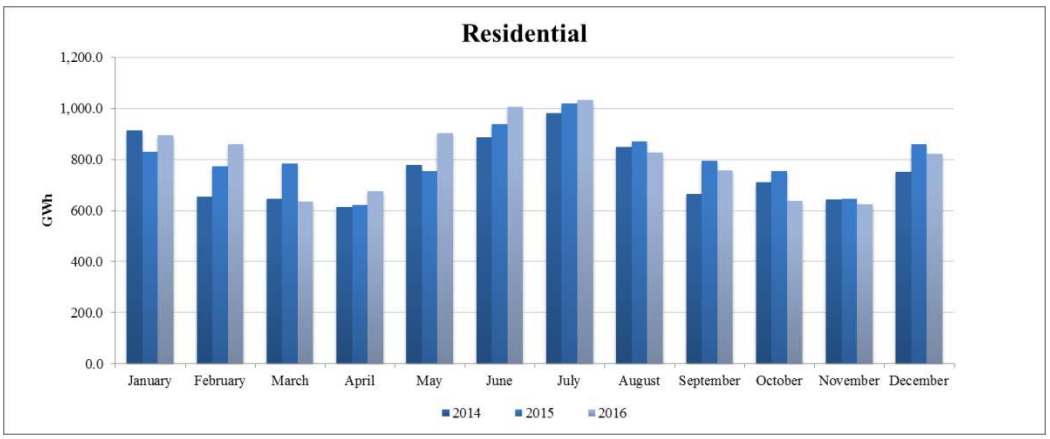
We cannot assure you that these new generation plants will be able to serve our energy demands in the manner we anticipate.

Seasonality of Demand

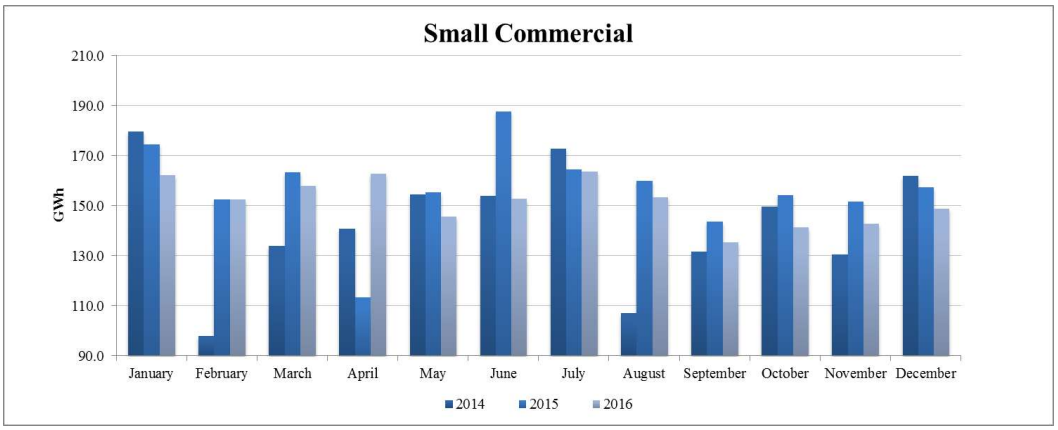
Seasonality has a significant impact on the demand for electricity in our concession area, with electricity consumption peaks in summer and winter. The impact of seasonal changes in demand is registered primarily in our residential and small commercial customer categories. The seasonal changes

in demand are attributable to the impact of various climatological factors, including weather and the amount of daylight time, on the usage of lights, heating systems and air conditioners.

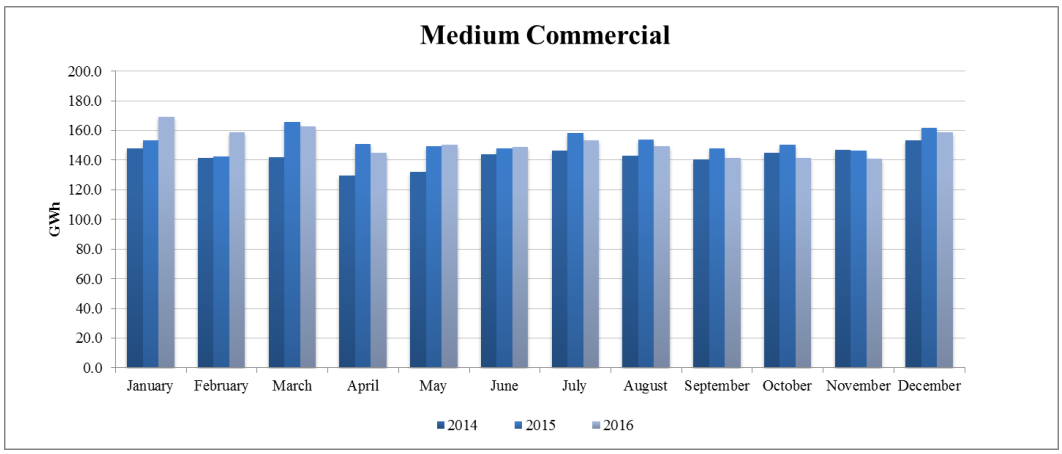
The impact of seasonality on industrial demand for electricity is less pronounced than on the residential and commercial sectors, primarily because different types of industrial activity by their nature have different seasonal peaks, such that the climatic effect is more varied. The chart below shows seasonality of demand in Edenor's residential customer category for the periods indicated.



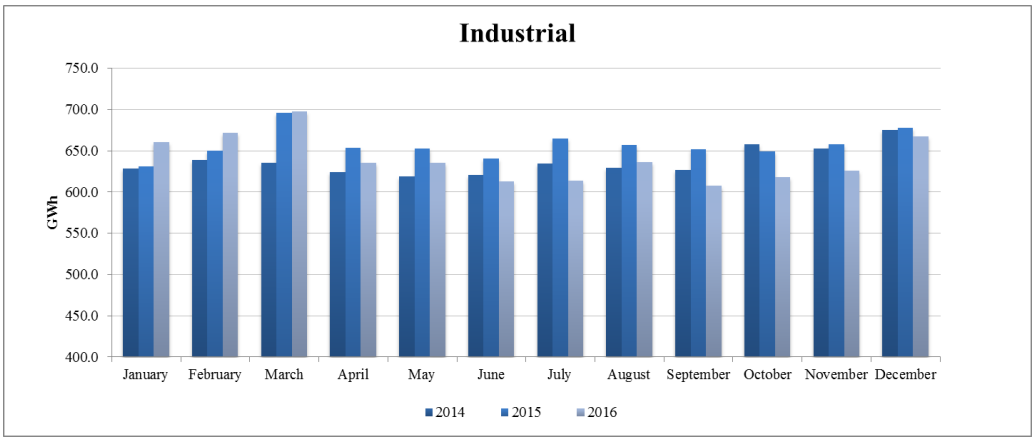
The chart below shows seasonality of demand in Edenor's small commercial customer category for the periods indicated.



The chart below shows seasonality of demand in Edenor's medium commercial customer category for the periods indicated.



The chart below shows seasonality of demand in Edenor's industrial customer category for the periods indicated.



Taxes on Electricity Tariffs

Sales of electricity within our service area are subject to certain taxes, levies and charges at the federal, provincial and municipal levels. These taxes vary according to location and type of user. In general, residential and governmental users are subject to a lower tax rate than commercial and industrial users. Similarly, taxes are typically higher in the Province of Buenos Aires than in the City of Buenos Aires. All of these taxes are billed to our customers along with electricity charges.

Framework Agreement (Shantytowns)

Since 1994, we have supplied electricity to low-income areas and shantytowns within our concession area under a special regime established pursuant to a series of framework agreements. For a discussion of these agreements and our ongoing negotiations to extend the most recent framework agreement, see "Item 4. Information on the Company—Framework Agreement (Shantytowns)"

Operating Expenses

Our most significant operating expenses are transmission and distribution expenses, which include depreciation charges, salaries and social security taxes, outsourcing, fines and penalties, and purchases of materials and supplies, among others.

We seek to maintain a flexible cost base by achieving an optimal level of outsourcing, which allows us to respond more quickly to changes in our market. We had 4,692 employees and contracts with third-party services companies that count with 4,045 employees as of December 31, 2016.. See "Item 6. Directors, Senior Management and Employees—Employees".

Our principal material and supply expenses consist of purchases of wire and transformers (*i.e.*, electromagnetic devices used to change the voltage level of alternating-current electricity), which we use to maintain our network.

Summary of Historical Results of Operations

The following table provides a summary of our operations for the years ended December 31, 2016, 2015 and 2014.

Statement of comprehensive (loss) income*

	2016	2016	2015	2014
	US$	Ps.	Ps.	Ps.
Continuing operations				
Revenue from sales (1)	823.1	13,079.6	3,802.2	3,598.4
Electric power purchases	(381.4)	(6,060.3)	(2,022.0)	(1,878.1)
Subtotal	**441.7**	**7,019.3**	**1,780.2**	**1,720.3**
Transmission and distribution expenses	(386.9)	(6,147.2)	(3,153.7)	(2,825.1)
Gross income (Loss)	**54.9**	**872.1**	**(1,373.5)**	**(1,104.8)**
Selling expenses	(101.7)	(1,616.7)	(832.8)	(657.9)
Administrative expenses	(73.1)	(1,162.3)	(706.1)	(496.8)
Other operating income	5.5	87.2	79.2	52.4
Other operating expense	(29.2)	(463.9)	(502.5)	(318.7)
Income from non-reimbursable customer contributions	0.0	0.8	0.8	0.8
Operating (loss) profit before SE Resolution 250/13 and subsequent Notes	**(143.7)**	**(2,283.0)**	**(3,334.9)**	**(2,525.0)**
Recognition of income – provisional remedies – MEyM Note 2016-04484723	70.8	1,125.6	-	-
Income recognition on account of the RTI - SE Resolution 32/15	26.4	419.7	5,025.1	-
Higher costs recognition - SE Resolution 250/13 and subsequents Notes	5.1	81.5	551.5	2,271.9
Operating (loss) profit	**(41.3)**	**(656.1)**	**2,241.7**	**(253.1)**
Financial income	12.4	196.8	96.2	235.5
Financial expenses (2)	(90.9)	(1,444.9)	(450.0)	(592.0)
Other financial expense	(1.7)	(27.5)	(561.7)	(324.5)
Net financial (expense) income	**(80.3)**	**(1,275.6)**	**(915.5)**	**(681.0)**
(Loss) profit before taxes	**(121.6)**	**(1,931.7)**	**1,326.2**	**(934.1)**
Income tax	46.8	743.1	(183.8)	154.4
(Loss) profit for the year from continuing operations	**(74.8)**	**(1,188.7)**	**1,142.4**	**(779.7)**
Discontinued operations	-	-	-	-
(Loss) profit for the year	**(74.8)**	**(1,188.7)**	**1,142.4**	**(779.7)**
(Loss) profit for the year attributable to:				
Owners of the Company	(74.8)	(1,188.7)	1,142.4	(779.7)
Non-controlling interests	-	-	-	-
(Loss) profit for the year	**(74.8)**	**(1,188.7)**	**1,142.4**	**(779.7)**
(Loss) profit for the year attributable to the owners of the parent				
Continuing operations	(74.8)	(1,188.7)	1,142.4	(779.7)
Discontinued operations	-	-	-	-
	(74.8)	**(1,188.7)**	**1,142.4**	**(779.7)**

	2016	2016	2015	2014
	US$	Ps.	Ps.	Ps.
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Results related to benefit plans	0.5	7.8	(3.7)	(17.8)
Tax effect of actuarial (losses) income on benefit plans	(0.2)	(2.7)	1.3	6.2
Total other comprehensive loss from discontinued operations	-	-	-	-
Total other comprehensive income (loss)	**0.3**	**5.1**	**(2.4)**	**(11.6)**
Comprehensive income for the year attributable to:				
Owners of the parent	(74.5)	(1,183.6)	1,140.0	(791.3)
Non-controlling interests	-	-	-	-
Comprehensive (loss) income for the year	**(74.5)**	**(1,183.6)**	**1,140.0**	**(791.3)**
(Loss) profit for the year attributable to the owners of the parent				
Continuing operations	(74.5)	(1,183.6)	1,140.0	(791.3)
Discontinued operations		-	-	-
	(74.5)	**(1,183.6)**	**1,140.0**	**(791.3)**
Basic and diluted (loss) earnings per share:				
Basic and diluted (loss) earnings per share from continuing operations	(0.08)	(1.33)	1.27	(0.87)
Basic and diluted (loss) earnings per share from discontinued operations	-	-	-	-
Basic and diluted (loss) earnings per ADS (3)**:**				
Basic and diluted (loss) earnings per ADS from continuing operations	(1.67)	(26.60)	25.40	(17.40)
Basic and diluted (loss) earnings per ADS from discontinued operations	-	-	-	-

(*) Translated into U.S. Dollars at the selling exchange rate for U.S. Dollars quoted by Banco de la Nación Argentina (the "Banco Nación") on December 31, 2016, which was Ps. 15.89 to U.S.$ 1.00.

(1) Revenue from operations is recognized on an accrual basis and derives mainly from electricity distribution. Such revenue includes electricity supplied, whether billed or unbilled, at the end of each year, and has been valued on the basis of applicable tariffs and the charge regarding with the Resolution No. 347/12.

(2) Net of interest capitalized at December 31, 2016, 2015 and 2014 for Ps.189.7 million, 255.9 million and Ps. 123.9 million, respectively.

(3) Each ADS represents 20 Class B common shares.

Year Ended December 31, 2016 compared with Year Ended December 31, 2015.

Revenue from sales

Revenue from sales increased by 244% to Ps. 13,079.6 million for the year ended December 31, 2016, from Ps. 3,802.2 million for the year ended December 31, 2015. This increase was mainly due to the tariff increases set forth by Resolution No 1/2016 of the ENRE in force from February 1, 2016.

In respect of these measures, from May through November 2016, several courts granted provisional remedies (injunctions) ordering the temporary suspension of Resolution No. 1/2016 in the Province of Buenos Aires. In the "Abarca" case, an injunction was issued extending throughout the entire concession area of the Province of Buenos Aires, which was lifted on September 6, 2016, and its economic impact on us was compensated in four installments, that were charged to the customers' invoices as from October 2016. Other provisional remedies were granted with respect to the districts of "Pilar" and "La Matanza", which remained in effect until October 24 and November 11, 2016, respectively, when they expired. The negative impact on sales was compensated by CAMMESA through credit notes for a total amount of Ps. 1,125.6 million, which was reflected in "Recognition of Income – provisional remedies – MeyM Note. 2016-04484723".

In the opposite way, due to the increase in the electricity tariff, the volume of energy sold decreased by 0.6% from 22,381 GWh in 2016 to 22,253 GWh in 2015.

Net energy sales represented approximately 99% of our net sales in 2016 and 97.8% in 2015; late payment charges, pole leases, and connection and reconnection charges account for the balance in each of those years.

Electric Power Purchases

The amount of electric power purchases increased by 199.7% to Ps. 6,060.3 million for the year ended December 31, 2016, from Ps. 2,022.0 million for the year ended December 31, 2015. This increase of Ps. 4,038.3 million was mainly due to the implementation of tariff increase set forth by Resolution No. 6/2016 of the ME&M as from February 1, 2016, and to a lesser extent, to an increase in energy losses (mainly non-technical losses).

Our volume of electric power purchases increased by 2.0%, to 26,838 GWh for the year ended December 31, 2016, from 26,322 GWh for the year ended December 31, 2015 (in both cases including wheeling system demand).

Energy losses increased by 17.0% for the year ended December 31, 2016, compared to 14.9% for the year ended December 31, 2015. See "—Factors Affecting Our Results of Operations—Recognition of Cost of Energy Losses."

Transmission and Distribution Expenses

Transmission and distribution expenses increased by 94.9% to Ps. 6,147.2 million for the year ended December 31, 2016, from Ps. 3,153.7 million for the year ended December 31, 2015. This increase was mainly due to a Ps. 2,117.0 million increase in fines and penalties which were calculated in accordance with the new methodology set forth by ENRE Note No. 120,151 that established that: (i) penalties are to be valued according to the VAD or KWh values in effect as of the last date of the semester or period during which the event giving rise to the penalty occurred, including any increases or adjustments applicable to our "remuneration" at such date, and (ii) that penalties accrue interest from the last date of the semester on which the event giving rise to the penalty occurred until the date they are paid. To a lesser extent, transmission and distribution expenses increased as a consequence of an increase of Ps. 726.6 million in salaries and social security taxes attributable to the increase in employee compensation granted in 2016.

As a percentage of revenue from sales, transmission and distribution expenses decreased to 47.0% for the year ended December 31, 2016, from 82.9% for the year ended December 31, 2015.

The following table sets forth the principal components of our transmission and distribution expenses for the years indicated.

	Year ended December 31,					
	2016		% of 2016 net sales	2015		% of 2015 net sales
Salaries and social security taxes	2,586.3	42.1%	19.8%	1,859.7	59.0%	48.9%
Supplies consumption	276.2	4.5%	2.1%	211.4	6.7%	5.6%
Fees and remuneration for services	453.7	7.4%	3.5%	463.2	14.7%	12.2%
Depreciation of property, plant and equipment	284.8	4.6%	2.2%	236.8	7.5%	6.2%
ENRE penalties	2,374.2	38.6%	18.2%	257.3	8.2%	6.8%
Others	172.0	2.8%	1.3%	125.3	3.9%	3.3%
Total	**6,147.2**	**100%**	**47.0%**	**3,153.7**	**100%**	**82.9%**

Gross (loss) profit

Our gross profit, including transmission and distribution expenses, increased by Ps. 2,245.5 million, or 163.5%, to Ps. 872.1 million for the year ended December 31, 2016, from a gross loss of Ps. 1,373.5 million for the year ended December 31, 2015. This increase was mainly attributable to the increase in revenue from sales described above.

Selling Expenses

Our selling expenses are related to customer services provided at our commercial offices, billing, invoice mailing, collection and collection procedures, as well as allowances for doubtful accounts.

Selling expenses increased by 94.1% to Ps. 1,616.7 million for the year ended December 31, 2016, from Ps. 832.8 million for the year ended December 31, 2015. This increase of Ps. 783.9 million was mainly due to a Ps. 203.6 million increase in allowances for the impairment of trade as a result of the tariff increase, a Ps. 158.1 million increase in fines and penalties according to the new methodology set by ENRE Note No 120,151, a Ps. 139.0 million increase in fees and remuneration for services, and a Ps. 138.0 million increase in salaries and social security taxes (attributable to an increase in employee compensation granted in 2016).

As a percentage of net sales, selling expenses decreased to 12.4% of net sales in the year ended December 31, 2016, from 21.9% for the year ended December 31, 2015.

The following table sets forth the principal components of our selling expenses for the years indicated.

	Year ended December 31,					
	2016		% of 2016 net sales	2015		% of 2015 net sales
Salaries and social security taxes	437.9	27.1%	3.3%	299.8	36.0%	7.9%
Allowance for the impairment of trade and other receivables	227.7	14.1%	1.7%	24.1	2.9%	0.6%
Communication expenses	129.0	8.0%	1.0%	58.7	7.0%	1.5%
Fees and remuneration for services	468.5	29.0%	3.6%	329.5	39.6%	8.7%
ENRE penalties	182.4	11.3%	1.4%	24.4	2.9%	0.6%
Others	171.2	10.6%	1.3%	96.3	11.6%	2.5%
Total	**1,616.7**	**100%**	**12.4%**	**832.8**	**100%**	**21.9%**

Administrative Expenses

Our administrative expenses include, among others, expenses associated with accounting, payroll administration, personnel training, systems operation third-party services and taxes.

Administrative expenses increased by 64.6%, to Ps.1,162.3 million for the year ended December 31, 2016, from Ps. 706.1 million for the year ended December 31, 2015. This increase of Ps. 456.2 million was mainly due to a Ps. 180.6 million increase in fees and remuneration for services, and a Ps. 174.4 million increase in salaries and social security taxes attributable to an increase in employee compensation granted in 2016 .

As a percentage of revenue from sales, administrative expenses decreased to 8.9% for the year ended December 31, 2016, as compared to 18.6% for the year ended December 31, 2015.

The following are the principal components of our administrative expenses for the years indicated.

	Year ended December 31,					
	2016		% of 2016 net sales	2015		% of 2015 net sales
Salaries and social security taxes	502.7	43.3%	3.8%	328.4	46.5%	8.6%
Rent and insurance	87.8	7.6%	0.7%	58.2	8.2%	1.5%
Fees and remuneration for services	394.4	33.9%	3.0%	213.8	30.3%	5.6%
Security Services	43.6	3.8%	0.3%	24.1	3.4%	0.6%
Others	133.8	11.5%	1.0%	81.6	11.6%	2.1%
Total	**1,162.3**	**100%**	**8.9%**	**706.1**	**100%**	**18.6%**

Other operating (expenses) income

Other operating expenses include mainly retirement payments, severance payments and accrual for lawsuits. Other operating expenses, decreased by 11.0% to a loss of Ps. 376.8 million for the year ended December 31, 2016, compared to a loss of Ps. 423.3 million for the year ended December 31, 2015. The positive variation of Ps. 46.5 million was mainly due to a Ps. 75.4 million decrease in provisions for contingencies, a decrease of Ps.44.9 million in expenses related to the abrogation of FOCEDE, and a Ps. 20.5 million decrease in fees for services provided to third parties, partially offset by an increase of Ps. 71.0 in debit and credit taxes and an increase of Ps. 37.0 in disposals of property, plant and equipment.

Operating (loss) profit

Our operating results decreased by Ps. 2,897.8 million, from a gain of Ps.2,241.7 million for the year ended December 31, 2015 to a loss of Ps. 656.1 million for the year ended December 31, 2016, mainly due to the increase in operating expenses explained above.

Net Financial Expense

Net financial expense totaled Ps. 1,275.6 million for the year ended December 31, 2016, compared to Ps. 915.5 million for the year ended December 31, 2015. This increase of Ps.360.1 million was mainly due to a Ps. 828.4 million increase in interests due on the commercial debt with CAMMESA, partially offset by a decrease of Ps. 477.1 in exchange differences as a result of exchange rate variations.

Income Tax

The Company's income tax charge includes three effects: (i) the current tax payable for the year pursuant to tax legislation applicable to the Company; (ii) the effect of applying the deferred tax method on temporary differences arising out of the asset and liability valuation according to tax versus financial accounting criteria; and (iii) the analysis of recoverability of deferred tax assets. We recorded an income tax credit of Ps.743.1 million in 2016, compared to an income tax charge of Ps. 183.7 million in 2015, mainly as a result of the increase in fines and penalties according to the new methodology set by ENRE Note No 120,151 and the decrease in the additional income derived from the application of Resolution No. 32/15 of the SE.

Profit (Loss) for the year

We recorded a loss of Ps. 1,188.6 million for the year ended December 31, 2016, compared to a profit of Ps. 1,142.4 million for the year ended December 31, 2015 mainly as a consequence of the decrease in the additional income derived from the application of Resolution No. 32/15 of the SE (no longer in effect as of February 2016) and the increase in the operating expenses described above, which were not offset by the tariff increase set forth by Resolution No. 1/2016 of the ENRE.

Year Ended December 31, 2015 compared with Year Ended December 31, 2014.

Revenue from sales

Revenue from sales increased 5.7% to Ps. 3,802.2 million for the year ended December 31, 2015, from Ps. 3,598.4 million for the year ended December 31, 2014.

This increase was mainly due to an increase in the volume of energy sold, which increased from 21,312 GWh in 2014 to 22,402 GWh in 2015, representing a 5.1% increase, and to an increase of Ps.19 million in revenue from pole leases.

Net energy sales represented approximately 97.8% of our net sales in 2015 and 98.3% in 2014; late payment charges, pole leases, and connection and reconnection charges account for the balance.

Electric Power Purchases

The amount of electric power purchases increased 7.7% to Ps. 2,022.0 million for the year ended December 31, 2015, from Ps. 1,878.1 million for the year ended December 31, 2014. This increase of Ps. 143.9 million was mainly due to an increase in the volume of energy sold and to an increase in energy losses due to an increase in non-technical losses.

The volume of electric power purchases of Edenor increased 5.9% to 26,322 GWh for the year ended December 31, 2015, from 24,860 GWh for the year ended December 31, 2014 (in both cases including wheeling system demand).

Energy losses increased to 14.9% for the year ended December 31, 2015, from 14.3% for the year ended December 31, 2014. See "—Factors Affecting Our Results of Operations—Recognition of Cost of Energy Losses."

Transmission and Distribution Expenses

Transmission and distribution expenses increased 11.6% to Ps. 3,153.7 million for the year ended December 31, 2015, from Ps. 2,825.1 million for the year ended December 31, 2014. This increase was mainly due to a Ps. 486.5 million increase in salaries and social security taxes attributable to an increase in employee compensation granted in 2015, along with an increase in the number of employees. This increase was partially offset by a decrease of Ps.251.1 million in fees and remuneration for services.

As a percentage of revenue from sales, transmission and distribution expenses increased to 82.9% for the year ended December 31, 2015, from 78.5% for the year ended December 31, 2014.

The following table sets forth the principal components of our transmission and distribution expenses for the years indicated.

	Year ended December 31,					
	2015		% of 2015 net sales	2014		% of 2014 net sales
Salaries and social security taxes	1,859.70	59.0%	48.9%	1,373.2	48.6%	38.2%
Supplies consumption	211.40	6.7%	5.6%	205.9	7.3%	5.7%
Fees and remuneration for services	463.20	14.7%	12.2%	714.3	25.3%	19.9%
Depreciation of property, plant and equipment	236.80	7.5%	6.2%	208.5	7.4%	5.8%
ENRE penalties	257.30	8.2%	6.8%	233.9	8.3%	6.5%
Others	125.30	3.9%	3.3%	89.3	3.2%	2.5%
Total	**3,153.7**	**100.0%**	**82.9%**	**2,825.1**	**100.0%**	**78.5%**

Gross (loss) profit

Our gross loss, including transmission and distribution expenses, increased by Ps. 268.7 million, or 24.3%, to Ps. 1,373.5 million for the year ended December 31, 2015, from a gross loss of Ps. 1,104.8

million for the year ended December 31, 2014. This increase was basically due to the increase in transmission and distribution expenses described above, which were partially offset by the slight increase in revenue from sales.

Selling Expenses

Our selling expenses are related to customer services provided at our commercial offices, billing, invoice mailing, collection and collection procedures, as well as allowances for doubtful accounts.

Selling expenses increased 26.6% to Ps. 832.8 million for the year ended December 31, 2015, from Ps. 657.9 million for the year ended December 31, 2014. This increase of Ps. 174.9 million was mainly due to a Ps. 66.7 million increase in fees and remuneration for services, a Ps. 50.8 million in salaries and social security taxes (attributable to an increase in employee compensation granted in 2015), and a Ps. 19.6 million increase in communications expenses.

As a percentage of net sales, selling expenses increased to 21.9% of net sales in the year ended December 31, 2015, from 18.3% for the year ended December 31, 2014.

The following table sets forth the principal components of our selling expenses for the years indicated.

	Year ended December 31,					
	2015		% of 2015 net sales	2014		% of 2014 net sales
Salaries and social security taxes	299.8	36.0%	7.9%	249.0	37.8%	6.9%
Allowance for the impairment of trade and other receivables	24.1	2.9%	0.6%	21.5	3.3%	0.6%
Communication expenses	58.7	7.0%	1.5%	39.1	5.9%	1.1%
Fees and remuneration for services	329.5	39.6%	8.7%	262.8	39.9%	7.3%
ENRE penalties	24.4	2.9%	0.6%	18.4	2.8%	0.5%
Others	96.3	11.6%	2.5%	67.1	10.2%	1.9%
Total	**832.8**	**100.0%**	**21.9%**	**657.9**	**100.0%**	**18.3%**

Administrative Expenses

Our administrative expenses include, among others, expenses associated with accounting, payroll administration, personnel training, systems operation third-party services and taxes.

Administrative expenses increased 42.1% to Ps. 706.1 million for the year ended December 31, 2015, from Ps. 496.8 million for the year ended December 31, 2014. This increase of Ps. 209.3 million was mainly due to a Ps. 86.3 million increase in salaries and social security taxes attributable to an increase in employee compensation granted in 2015, a Ps. 65.7 million increase in fees and remuneration for services, and Ps. 23.0 million increases in rent and insurance.

As a percentage of revenue from sales, administrative expenses increased to 18.6% for the year ended December 31, 2015, as compared to 13.8% for the year ended December 31, 2014.

The following are the principal components of our administrative expenses for the years indicated.

	Year ended December 31,					
	2015		% of 2015 net sales	2014		% of 2014 net sales
Salaries and social security taxes	328.4	46.5%	8.6%	242.1	48.7%	6.7%
Rent and insurance	58.2	8.2%	1.5%	35.2	7.1%	1.0%
Fees and remuneration for services	213.8	30.3%	5.6%	148.1	29.8%	4.1%
Security Services	24.1	3.5%	0.6%	15.1	3.0%	0.4%
Others	81.6	11.6%	2.1%	56.3	11.3%	1.6%
Total	**706.1**	**100.0%**	**18.6%**	**496.8**	**100.0%**	**13.8%**

Other operating (expenses) income

Other operating expenses include mainly retirement payments, severance payments and accrual for lawsuits. Other operating expenses, increased by 59.1% to a loss of Ps. 422.5 million for the year ended December 31, 2015, compared to a loss of Ps. 265.5 million for the year ended December 31, 2014. The negative variation of Ps. 157 million was mainly due to a Ps. 151 million increase in accrual for lawsuits, a Ps.27.1 million increase in fees for services provided to third parties and a Ps. 20.4 million increase in debit and credit taxes partially offset by a decrease of Ps.38.1 million in expenses related to FOCEDE.

Operating profit (loss)

Our operating profit increased Ps. 2,494.8 million to a gain of Ps. 2,241.7 million for the year ended December 31, 2015, from a loss of Ps. 253.1 million for the year ended December 31, 2014, mainly due to the recognition of additional income as set forth in Resolution No. 32/15 of the SE of Ps. 5,025.1 million, partially offset by an increase in other operating expenses described above and a decrease of 75.7% in the partial recognition of CMM adjustment pursuant to Resolution No. 250/13 and subsequent notes of the SE, of Ps. 1,720.4 million.

Net Financial Expense

Net financial expense totaled Ps. 915.5 million for the year ended December 31, 2015, compared to Ps. 681.0 million for the year ended December 31, 2014. This increase of Ps. 234.5 million was primarily due to a Ps. 466.9 million increase in exchange differences as a result of exchange rate variations, a Ps. 122.4 million increase in financial expense, which was partially offset by a decrease of Ps. 267.2 million in interest due on the debt with CAMMESA, and to a Ps. 279.5 million gain derived from changes in fair value of financial assets.

Income Tax

The Company's income tax charge includes three effects: (i) the current tax payable for the year pursuant to tax legislation applicable to the Company; (ii) the effect of applying the deferred tax method on temporary differences arising out of the asset and liability valuation according to tax versus financial accounting criteria; and (iii) the analysis of recoverability of deferred tax assets. We recorded an income tax charge of Ps.183.8 million in 2015, compared to an income tax credit of Ps. 154.4 million in 2014, mainly as a result of the increase in the additional income derived from the application of Resolution No. 32/15 of the SE, partially offset by a tax loss carry forward generated in recent years.

Profit (Loss) for the year

We recorded a profit of Ps. 1,142.4 million for the year ended December 31, 2015, compared to a loss of Ps. 779.7 million for the year ended December 31, 2014 mainly as a consequence of the additional income derived from the application of Resolution No. 32/15 of the SE.

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Funds

Our cash flows from operations have been significantly affected in recent periods due to our failure to obtain adjustments to our tariffs to cover increases in our distribution costs, resulting in a working capital deficit as of December 31, 2016, 2015 and 2014. In order to preserve and guarantee the provision of the public service and improve the existing cash deficit, beginning in October 2012, the Company decided to only partially cancel the obligations with CAMMESA with surplus cash balances. This decision arose as a consequence of all the commitments necessary to ensure the provision of the public service, including investment plans and ongoing operation and maintenance tasks. In 2015, following the issuance of Resolution No. 32/2015, we resumed full payment of our commercial obligations with CAMMESA, but did not cancel past commercial debt. As of December 31, 2016 the commercial debt with CAMMESA amounts to approximately Ps. 5,469.5 million including interests. In

November 2015, we submitted to CAMMESA a repayment plan. As of the date of this annual report, negotiations with CAMMESA continue with respect to a final repayment schedule. See "Item 3. Risk Factors—Risk relating to our Business—We may not have the ability to raise the funds necessary to repay our commercial debt with CAMMESA, our major supplier."

In the recent past, the Argentine government adopted a series of measures such as the issuance of Resolution No. 347/2012 of the ENRE, Resolution No. 32/15 of the SE and the granting of certain economic assistance program (through the extension of loans for consumption (mutuums)) (the "Program") for us to be able to cope with our cash needs for specific purposes. We have considered the funds received through the Program as a supplementary measure to being granted increases in tariffs/rates. In connection with the foregoing, following the adoption of a new transitional tariff schedule as from February 1, 2016, the ME&M suspended the transfer of funds that we received under the Program.

On June 24, 2014, by Note No. 4012/14, the SE instructed CAMMESA to enter into a loan for consumption (mutuum) and assignment of secured receivables agreement with us in order to pay the higher salary costs indicated in "Item 6. Directors, Senior Management and Employees – Employees". The aforementioned agreement was entered into on July 10, 2014. The agreement was guaranteed by us with the assignment of the future surplus sale settlements with maturity dates to be determined (Liquidaciones de Venta con Fecha de Vencimiento a Definir - LVFVD), as a result of the application of Resolution No. 250/13 of the SE.

In September 2014, the SE, through Resolution No. 65/14, instructed CAMMESA to enter into a Loan and Guarantee Assignment Agreement with us in order to provide the necessary financing to cover the extraordinary investment plan approved by the SE as a consequence of a temporary insufficiency of funds received through Resolution No. 347/12.

Resolution No. 32/15 resolved that LVFVDs be issued in our favor for the amounts generated by the salary increases deriving from the application of Resolution No. 836/14 of the Ministry of Labor, Employment and Social Security for which payment we received this loan (Mutuum); allowing the offsetting of any amounts discussed thereunder against outstanding balances of LVFVDs. The LVFVDs were issued on July 16, 2015 to offset the debt under the loan for consumption (mutuum) and assignment of secured receivables agreement entered into to pay for the higher salaries cost.

As of December 31, 2016, the total debt under these loans (mutuums agreements) amounted to Ps. 1,346.8 million, comprised of Ps. 923.6 million in principal for the actual disbursements, and Ps. 423.2 million in accrued interest.

As explained before, these loans were discontinued as from February 1, 2016 under the terms of Resolution No. 7/16 of the ME&M.

Our principal uses of cash are expected to be operating costs, the servicing of our financial debt and our investment plan. We are subject to limitations on our ability to incur new debt under the terms of our debt instruments so the Company cannot assure that it will be able to obtain additional financing on acceptable terms. See "Debt".

On January 31, 2017, the ENRE issued Resolution No. 63/17, pursuant to which it approved the new tariff scheme which resulted from the completion of the RTI process, for the following five-year period.

Regarding the new tariff scheme, as per the ME&M's request, the ENRE implemented a VAD increase in three stages, establishing an initial maximum increase of 42% to be applied as from February 1 2017, and two subsequent increases in November 2017 and February 2018. In addition, the ENRE should acknowledge us the difference in VAD resulting from the application of the gradual tariff increase recognized by the RTI in 48 installments as from February 1, 2018, which will be incorporated to the VAD value on such date.

The VAD may be adjusted on a quarterly basis in accordance with a non-automatic mechanism based on the macroeconomic prices indicators (CPI, WPI and salaries increases), to preserve the economic-financial sustainability of the Company in the event of prices variations in the economy.

Notwithstanding the foregoing, there are some aspects of the Adjustment Agreement which definition is still pending: (1) the treatment of the outstanding balance caused by the mutuums addressed to comply with the investment plan, granted to cover FOCEDE's insufficient funds; (2) the treatment of the funds disbursed by the Company allocated to comply with the investment plan, which were not reimbursed to the Company; (3) the conditions for the cancellation of the outstanding balance with

CAMMESA at the issuance date of Resolution No 32/15 SE, for which the Company submitted a payments plan; and, (4) the treatment to be given to the penalties and reductions pending to be settled.

On April 26, 2017, following the completion of the RTI process through the issuance of Resolution ENRE No. 63/17, Edenor was notified by the ME&M of an instruction sent to the SEE pursuant to which the SEE was instructed to determine (along with the participation of the Undersecretariat for Coordination of Tariff Policies and the ENRE) within 120 days if any obligations under the Adjustment Agreement were pending as of the date the new tariff schedule resulting from the RTI process came into effect. If the SEE determines that any such obligation is pending, the SEE shall define the treatment to be given to such obligation.

If, in the future, we are not able to recover the incremental cost increases or there is a significant lag of time between when we incur the incremental costs and when we receive increased income, it is likely that we will have insufficient liquidity and will therefore be obliged to pursue measures similar to those pursued in the past in order to preserve cash and enhance our liquidity. See "Item 5. Operating and Financial Review and Prospects—Factors Affecting our Results of Operations—Tariffs" and "Item 3. Key Information—Risk factors—Risks Relating to Our Business—Failure or delay to negotiate further improvements to our tariff structure, including increases in our distribution margin, and/or to have our tariffs adjusted to reflect increases in our distribution costs in a timely manner or at all, has affected our capacity to perform our commercial obligations and could also have a material adverse effect on our capacity to perform our financial obligations."

As of December 31, 2016, 2015 and 2014, our cash and cash equivalents amounted to Ps. 258.6 million, Ps. 129.0 and Ps. 179.1 million, respectively. We generally invest our cash in a range of instruments, including sovereign debt, corporate debt securities and other securities. The table below reflects our cash and cash equivalents position at the dates indicated and the net cash provided by (used in) operating, investing and financing activities during the years indicated:

	Year ended December 31		
	2016	**2015**	**2014**
		(restated)	*(restated)*
	(Figures in millions)		
Cash and cash equivalents at beginning of year	**129.0**	**179.1**	**243.5**
Net cash flows provided by operating activities	2,931.3	3,002.1	1,167.4
Net cash flows used in investing activities	(2,373.5)	(3,103.3)	(1,461.8)
Net cash flows used in financing activities	(492.7)	42.0	224.9
Exchange differences in cash and cash equivalents	64.5	9.1	5.1
Cash and cash equivalents at the end of year	**258.6**	**129.0**	**179.1**

Net Cash flows provided by operating activities

Net cash flows provided by operating activities decreased by 2.4% to Ps. 2,931.3 million in the year ended December 31, 2016, from Ps. 3,002.1 million in the year ended December 31, 2015.

Changes in net cash flows provided by operating activities in 2016 were primarily due to the loss in the 2016 period of Ps. 1,188.6 million, from a gain of Ps. 1,142.4 million for the 2015 period, and an increase in trade receivables of Ps. 2,973.8 million, partially offset by an increase in trade payables of Ps. 2,780.9 million and in other payables of Ps. 2,338.4 million.

Net cash flows provided by operating activities increased 157.2% to Ps. 3,002.1 million in the year ended December 31, 2015, from Ps. 1,167.4 million in the year ended December 31, 2014.

Changes in net cash flows provided by operating activities in 2015 were primarily due to the income recognized pursuant Resolution No.32/15, partially offset by a decrease in the commercial debt with CAMMESA of Ps. 251.0 million.

Net cash flows provided by operating activities decreased by 23.1% to Ps. 1,167.4 million in the year ended December 31, 2014, from Ps. 1,436.6 million in the year ended December 31, 2013.

Changes in net cash flows provided by operating activities in 2014 were primarily due to an increase in the commercial debt with CAMMESA (Ps. 2,446.5 million) and to the funds obtained from PUREE (Ps. 482.9 million), partially offset by the recognition of higher costs under Resolution No. 250/13 of the SE and subsequent notes of the SE (Ps. 2,271.9 million) and to a decrease in net loss (Ps. 779.7 million)..

Net Cash flows used in investing activities

Net cash flows used in investing activities decreased by 23.5% from Ps. 3,103.3 million in the year ended December 31, 2015, to Ps. 2,373.5 million in the year ended December 31, 2016.

Changes in net cash flows used in investing activities in 2016 were primarily due to a decrease in net payments for the purchase of financial assets at fair value of Ps. 1,101.2 million, partially offset by an increase in our capital expenditures of Ps. 379.1 million.

Net cash flows used in investing activities increased by 112.3% to Ps. 3,103.3 million in the year ended December 31, 2015, from Ps. 1,461.7 million in the year ended December 31, 2014.

Changes in net cash flows used in investing activities in 2015 were primarily due to an increase in our capital expenditures of Ps. 695.4 million and in net payments for the purchase of financial assets at fair value of Ps. 947.5 million.

Net cash flows used in investing activities increased by 31.8% to Ps. 1,461.7 million in the year ended December 31, 2014, from Ps. 1,109 million in the year ended December 31, 2013.

Changes in net cash flows used in investing activities in 2014 were primarily due to variations in our capital expenditures (Ps. 1,400.1 million) and in net payments for the purchase of financial assets at fair value (Ps. 64.6 million).

Net Cash flows generated in financing activities

Net cash flows generated in financing activities decreased to a negative outcome of Ps. 492.7 million in the year ended December 31, 2016, from a positive outcome of Ps. 42.0 million in the year ended December 31, 2015, primarily as a result of the cancellation of the proceeds obtained from loans with CAMMESA and due to the redemption of corporate Note 2017 (Ps. 221.8 million).

Net cash flows generated in financing activities decreased by 81.3% to Ps. 42.0 million in the year ended December 31, 2015, from Ps. 224.9 million in the year ended December 31, 2014, primarily as a result of the decrease in the proceeds obtained from loans with CAMMESA (Ps. 214.9 million) and due to the payment of interest on loans (Ps. 172.9 million).

Net cash flows generated in financing activities increased by 227% to Ps. 224.9 million in the year ended December 31, 2014, from a use of Ps. 177.1 million in the year ended December 31, 2013, due to the proceeds obtained from loans with CAMMESA (Ps. 380.6 million).

Edenor's Capital Expenditures

Edenor's concession does not require us to make mandatory capital expenditures. Edenor's concession does, however, set forth specific quality standards that become progressively more stringent over time, which require us to make additional capital expenditures. Financial penalties are imposed on us for non-compliance with the terms of our concession, including quality standards.

Prior to our privatization, a low level of capital expenditures and poor maintenance programs adversely affected the condition of our assets. After our privatization in 1992, we developed an aggressive capital expenditure plan to update the technology of our productive assets, renew our facilities and expand energy distribution services, automate the control of the distribution network and improve customer service. Following the crisis, however, the freeze of our distribution margins and the pesification of our tariffs and our inability to obtain financing, coupled with increasing energy losses, forced us to curtail our capital expenditure program and make only those investments that were necessary to permit us to comply with quality of service and safety and environmental requirements, despite increases in demand in recent years.

We are not subject to any limitations on the amount of capital expenditures we are required to make pursuant to our concession and applicable laws or regulations.

Our capital expenditures consist of net cash used in investing activities during a specified period plus supplies purchased in prior periods and used in such specified period. The following table sets forth our actual capital expenditures for the years indicated:

	Year ended December 31,		
	2016	**2015**	**2014**
	(Figures in millions)		
Network Infraestructure (1)	1,991.1	1,468.5	1,284.2
Network maintenance and improvements	412.2	307.5	201.4
Legal requirements (2)	6.6	2.9	6.1
Communications and telecontrol	155.2	64.4	55.7
Others	138.1	674.9	154.3
Total	**2,703.2**	**2,518.2**	**1,701.7**

(1) Includes network infrastructure and additional network supplies.
(2) Capital expenditures required to be made to comply with the ENRE quality standard and other regulations.

In 2016, in accordance with our capital expenditure program, we invested Ps. 2,703.2 million, a substantial portion of which was dedicated to increasing the capacity of our grid in line with the growth of our customer base. In addition, we made investments in order to meet our quality standards levels.

In the context of the RTI process, in September 5, 2016, we submitted our investment plan for the following five-year period.

Debt

The economic crisis in Argentina had a material adverse effect on our operations. The devaluation of the Peso caused the Peso value of our U.S. Dollar-denominated indebtedness to increase significantly, resulting in significant foreign exchange losses and a significant increase, in Peso terms, in our debt service requirements. At the same time, our cash flow remained Peso-denominated and our distribution margins were frozen and pesified by the Argentine government pursuant to the Public Emergency Law. Moreover, the 2001 and 2002 economic crisis in Argentina had a significant adverse effect on the overall level of economic activity in Argentina and led to deterioration in the ability of our customers to pay their bills. These developments caused us to announce on September 15, 2002 the suspension of principal payments on our financial debt. On September 26, 2005, our board of directors decided to suspend interest payments on our financial debt until the restructuring of this financial debt was completed.

The purpose of the restructuring was to restructure all, or substantially all, of our outstanding debt, in order to obtain terms that would enable us to service our financial debt. We believe that the restructuring was the most effective and equitable means of addressing our financial difficulties for our benefit and that of our creditors. We developed a proposal that we believed was necessary to address our financial and liquidity difficulties, while we continued to pursue tariff negotiations with the Argentine government to improve our financial condition and operating performance.

On January 20, 2006, we launched a voluntary exchange offer and consent solicitation to the holders of our outstanding financial debt. All of these holders elected to participate in the restructuring and, as a result, on April 24, 2006, we exchanged all of our then-outstanding financial debt for the following three series of newly issued notes, which we refer to as the restructuring notes:

- U.S.$ 123,773,586 Fixed Rate Par Notes due December 14, 2016, with approximately 50% of the principal due and payable at maturity and the remainder due in semiannual installments commencing June 14, 2011, and bearing interest starting at 3% and stepping up to 10% over time;

- U.S.$ 12,656,086 Floating Rate Par Notes due December 14, 2019, with the same payment terms as the Fixed Rate Par Notes and bearing interest at LIBOR plus a spread, which starts at 1% in 2008 and steps up to 2% over time; and

- U.S.$ 239,999,985 Discount Notes due December 14, 2014, with 60% of the principal due and payable at maturity and the remainder due in semiannual installments commencing on June 14, 2008, and bearing interest at a fixed rate that starts at 3% and steps up to 12% over time.

As of the date of this annual report, all of the restructuring notes have been repaid and cancelled.

In October 2007, we completed an offering of U.S.$ 220 million aggregate principal amount of our 10.5% Senior Notes due 2017, which we refer to as the Senior Notes due 2017. We used a substantial portion of the proceeds from that offering to redeem in full our Discount Notes due 2014 in several transactions throughout the period from October through December 2007.

During 2008, we repurchased and cancelled U.S.$ 17.5 million and U.S.$ 6 million of our Senior Notes due 2017, respectively.

In May 2009, we issued Ps. 75.7 million principal amount of Par Notes due 2013 under our Medium Term Note Program. The Par Notes due 2013 are denominated and payable in Pesos and accrue interest on a quarterly basis at a rate equal to the private BADLAR, as published by the Central Bank, for each such quarter plus 6.75%. Principal on the notes is payable in 13 quarterly installments, starting on May 7, 2010. As of December 31, 2013, these Notes had been fully paid.

During 2009, we repurchased U.S.$ 53.8 million Senior Notes due 2017, U.S.$ 24.5 million of which was transferred to us as a consequence of the dissolution of the discretionary trust described below.

On October 25, 2010, we issued Senior Notes due 2022 with a face value of U.S.$ 230.3 million, of which U.S.$ 140 million were subscribed under a cash offer and U.S.$ 90.3 million were exchanged, as a result of an exchange offer, for Senior Notes due 2017, paying in cash U.S.$ 9.5 million plus accrued unpaid interest on those Senior Notes due 2017. Edenor lunched an offer to purchase under which we purchased Senior Notes due 2017 with a face value of U.S.$ 33.6 million for U.S.$ 35.8 million, including payment of accrued and unpaid interest on the Senior Notes due 2017.

The Senior Notes due 2022 have a 12-year maturity and were issued at par, with interest accruing from the date of issuance at a fixed rate of 9.75% and payable semi-annually on October 25 and April 25 of each year, with the first interest payment on April 25, 2011. As of December 31, 2016, the outstanding amount of Senior Notes due 2022 is U.S.$ 176.4 million. Edenor repurchased and cancelled U.S.$ 123.6 million during 2014, of which, U.S.$ 68 million were repurchased by the Aeseba Sale Trust during 2014 (see Item 4. “Information on the Company”).

On October 18, 2010, we cancelled Senior Notes due 2017 with a nominal value of U.S.$ 65.3 million.

In addition, on October 25, 2010, November 4, 2010, and December 9, 2010, we cancelled Senior Notes due 2017 for a face value of U.S.$ 122.6 million, U.S.$ 1.3 million, and U.S.$ 0.04 million, respectively, representing approximately 83.3% of the Senior Notes due 2017 then outstanding. As of December 2015, the outstanding amount of Senior Notes due 2017 was U.S.$ 14.8 million.

On February 2, 2016, we repurchased the Senior Notes due 2022 at market prices for a nominal value of U.S.$ 0.3 million.

On July 12, 2016, we redeemed our outstanding Senior Notes due 2017 for a principal amount of U.S.$ 14.8 million, plus an accrued interest of U.S.$ 0.4 million.

As a consequence, as of the date of this annual report our outstanding debt amounts to U.S.$ 176.4 million consisting of our Senior Notes due 2022, of which U.S.$ 0.3 million are held by the Company.

Line of Credit – Edenor–Banco de la Provincia de Buenos Aires Loans

In March and June 2011, the company entered into loans for a total aggregate amount of Ps. 22 million, from Banco de la Provincia de Buenos Aires, with principal payments at maturity (March 2012, May 2012 and June 2014). We made monthly interest payments on accrued interest at a fixed annual rate of 14.0%.

As of December 31, 2013 and 2012, the outstanding balance under these loans amounted to Ps. 0.4 million and Ps. 1.2 million, respectively. As of December 31, 2014, this line of credit was cancelled.

Derivatives Contracts

Management of derivative financial instruments

In 2016 and 2015, with the aim of hedging the currency risk associated with the payment of the next interest coupon of our Senior Notes 2017 and 2022, we entered into futures contracts to buy U.S. Dollars.

As of December 31, 2016, the economic impact of these transactions resulted in a loss of Ps. 11.9 million, which is recorded in the "Other financial results of the Statement of Comprehensive Income".

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A summary of our significant financial policies is included in Note 6 to our financial statements, which are included elsewhere in this annual report. The preparation of financial statements requires our management to make estimates and assumptions that affect the amounts reported in our financial statements and accompanying footnotes. Our estimates and assumptions are based on historical experiences and changes in the business environment. However, actual results may differ from estimates under different conditions, sometimes materially. Critical accounting policies and estimates are defined as those that are both most important to the portrayal of our financial condition and results of operation and require management's most subjective judgments. Our most critical accounting policies and estimates are described below.

Impairment of long-lived assets

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

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

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

As of the date of this annual report, the company shows signs of a potential impairment as it has obtained operating losses for Ps. 656.1 million. For this reason, the Company has prepared the projections of the recoverability of its properties, plants and equipment.

The increase in electricity rates used by the Company to assess the recoverability of its property, plant and equipment as of December 31, 2016 is based on both the electricity rate schedule approved as from February 2017, by means of the ENRE Resolution No. 63/17, that fixed the Company's remuneration, and the tariff adjustment mechanism for the following five years, established by such resolution. Given that the main variable is the electricity rate, and such rate is supported by the approved electricity rate schedule, the Company has prepared only one scenario, considering the most pessimistic situation when estimating the variables with greater impact such us the resolution of regulatory issues and its best estimation of the other variables with lower incidence.

In order to determine the scenario mentioned in the preceding paragraph, the Company has considered the following:

i. nature, opportunity, and modality of the electricity rate increases and/or cost adjustments recognition: Electricity rate increases as resolved in the RTI process;

ii. settlement of regulatory liabilities: The Company has considered to use the final surplus of its annual cash flows until these liabilities are settled;

iii. electricity demand growth: 2.5% p.a.;

iv. development of costs to be incurred: mainly, based on the expected level of inflation;

v. investments for infrastructure maintenance: in accordance with the service quality levels required by the regulator in the RTI;

vi. inflation rate; and,

vii. exchange rate.

The discount rate (WACC) in Pesos varies for each year of the projection. For the first five years, the average of these rates is 29%.

Revenue recognition

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

Revenue from the electricity provided to low-income areas and shantytowns is recognized to the extent that a renewal of the Framework Agreement is formalized for the period in which the service was rendered. As of the date of this annual report, negotiations with the Argentine and provincial governments are still ongoing.

Revenue from operations is recognized on an accrual basis and derives mainly from electricity distribution. Such revenue includes both the electricity supplied, whether billed or unbilled at the end of each year, which has been valued on the basis of applicable tariffs, and the charges resulting from the application of ENRE Resolution No. 347/12 (which was abrogated through Resolution No. 63/17).

We also recognize revenue from other concepts included in distribution services, such as new connections, reconnections, rights of use on poles and transportation of electricity to other distribution companies.

Allowances for the doubtful accounts

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

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

Current and deferred income tax/ Tax on minimum presumed income

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

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

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

Benefit plans

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

ENRE penalties and discounts

The Company considers its applicable accounting policy for the recognition of ENRE penalties and discounts critical because it depends on penalty events, which are valued on the basis of management best estimate of the expenditure required to settle the present obligation at the date of the issuance of the financial statements. The balances of ENRE penalties and discounts are adjusted in accordance with the regulatory framework applicable thereto.

Contingencies and provisions for lawsuits

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

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

OFF-BALANCE SHEET ARRANGEMENTS

We did not have any off-balance sheet arrangements as of December 31, 2016, 2015 and 2014.

CONTRACTUAL OBLIGATIONS

Technical assistance fees

Corresponds to the technical advice on financial affairs that EASA has provided to the Company since September 19, 2015. For this service, we pay EASA an annual amount of U.S.$ 2.5 million. The agreement is valid for five years, unless either party gives notice not less than 60 days prior to the expiration of such term, with no obligations to fulfill and without paying compensation to the other party.

Fines and penalties

Pursuant to caption C of Section 37 of the Concession Agreement, the grantor of the concession may, without prejudice to other rights to which it is entitled thereunder, foreclose on the collateral granted by the Company when the cumulative value of the penalties imposed in the previous one-year period exceeds 20% of its annual billing, net of taxes and rates.

Imposed and estimated fines and penalties, adjusted in accordance with the methodology established by ENRE Note No. 120,151, as of December 31, 2016 and 2015, amounted to Ps. 3,700.0 million and Ps. 1,253.1 million, respectively.

Corporate Notes programs

The relevant information of our corporate notes program is detailed below (debt issued in U.S. Dollars):

				Million of US$			Million of Ps.
Corporate Notes	**Class**	**Rate**	**Year of Maturity**	**Debt structure at 12.31.14**	**Debt repurchase**	**Debt structure at 12.31.15**	**At 12.31.15**
Fixed Rate Par Note	7	10.50	2017	14.76	-	14.76	192.47
Fixed Rate Par Note (1)	9	9.75	2022	172.17	-	172.17	2,268.51
Total				**186.93**	**-**	**186.93**	**2,460.98**

				Million of US$			Million of Ps.
Corporate Notes	**Class**	**Rate**	**Year of Maturity**	**Debt structure at 12.31.15**	**Debt repurchase**	**Debt structure at 12.31.16**	**At 12.31.16**
Fixed Rate Par Note	7	10.50	2017	14.76	(14.76)	-	-
Fixed Rate Par Note (1)	9	9.75	2022	172.17	(0.30)	171.87	2,769.60
Total				**186.93**	**(15.06)**	**171.87**	**2,769.60**

(1) Net of issuance expenses.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual liabilities and commitments as of December 31, 2016.

	Payments due by period				
	Total	**Less than 1 year**	**1 - 3 years**	**4 - 5 years**	**More than 5 years**
		(in millions of Pesos)			
Debt obligations and commercial debt obligations [1]	9.877,3	6.874,8	232,9	-	2.769,6
Accrued fines and penalties [2]	3.533,6	56,2	3.477,4	-	-
Payment Plan ENRE [3]	166,4	60,2	106,2		
Financial assistance fees [4]	178,7	39,7	109,2	29,8	-
Operating leases [5]	78,3	47,9	30,1	0,3	-
Capital expenditures [6]	-	-	-	-	-
Total	**13.834,3**	**7.078,8**	**3.955,8**	**30,1**	**2.769,6**

(1) Includes amortization of principal and interest payments. All of our financial indebtedness is unsecured. None of our financial indebtedness is guaranteed. See "Debt" in this section for a broader description of our financial debt.
(2) See "Item. 4. Information on the Company—Business Overview—Our Concession—Fines and Penalties."
(3) Refers to Fines and Penalties' payment plans, under the ENRE settlement. See "Item. 4. Information on the Company—Business Overview—Our Concession—Fines and Penalties."
(4) Fees payable under our financial services agreement with EASA, our controlling shareholder. This agreement expired in 2015 and was renewed for a five-year period. See "Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions —Financial Services Agreement with EASA."
(5) Represents our minimum required lease payments.
(6) Our concession does not require us to make any specified amount of capital expenditures, but requires us to meet certain quality and other service standards. See "—Liquidity and Capital Resources— Capital Expenditures."

Item 6. *Directors, Senior Management and Employees*

DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

Our business and affairs are managed by our board of directors in accordance with our bylaws and the Argentine Corporations Law. Our bylaws provide that our board of directors will consist of twelve directors and up to the same number of alternate directors. Pursuant to the Argentine Corporations Law, a majority of our directors must be residents of Argentina.

Edenor's bylaws provide that holders of our Class A common shares are entitled to elect seven directors and up to seven alternate directors, one of which must be independent in accordance with CNV regulations, holders of our Class B and Class C common shares are entitled to elect five directors and up to five alternate directors, one of which must be independent in accordance with CNV regulations. Holders of Class C common shares vote jointly as a single class with the holders of Class B common shares in the election of directors. In the absence of a director elected by holders of a class of shares, any alternate director elected by holders of the same class may legally attend and vote at meetings of our board of directors. The board of director's elects among its members a chairman and a vice president.

Directors and alternate directors serve for one-year periods, indefinitely renewable. Our directors and alternate directors are as follows:

Name	Position	Age	appointment(class electing director)
Ricardo Torres	Chairman	58	2016 (Class A)
Gustavo Mariani	Vice Chairman	46	2016 (Class A)
Marcos Marcelo Mindlin **	Director	52	2016 (Class A)
Damian Miguel Mindlin **	Director	50	2016 (Class A)
María Carolina Sigwald	Director	49	2016 (Class A)
Maximiliano Alejandro Fernandez*	Director	56	2016 (Class A)
Eduardo Llanos*	Director	72	2016 (Class A)
Emilio Basavilbaso*	Director	40	2016 (Class B/C)
Carlos Alberto Lorenzetti*	Director	56	2016 (Class B/C)
Lucas Amado*	Director	44	2016 (Class B/C)
Mariano García Mithieux*	Director	49	2016 (Class B/C)
Fernando Bearzi*	Director	47	2016 (Class B/C)
Diego Martín Salaverri	Alternate Director	52	2016 (Class A)
Leandro Carlos Montero	Alternate Director	41	2016 (Class A)
Daniel Flaks	Alternate Director	52	2016 (Class A)
Gerardo Paz	Alternate Director	48	2016 (Class A)
Mariano Batistella	Alternate Director	34	2016 (Class A)
Pablo Díaz	Alternate Director	59	2016 (Class A)
Diana Mondino*	Alternate Director	58	2016 (Class A)
Santiago Lucas Jonas Aguilar*	Alternate Director	35	2016 (Class B/C)
José María Tenaillon*	Alternate Director	37	2016 (Class B/C)
Ignacio Gustavo Álvarez Pizzo*	Alternate Director	31	2016 (Class B/C)
Juan Martin Monge Varela*	Alternate Director	42	2016 (Class B/C)
Carlos Andrés Rodriguez Lubary *	Alternate Director	56	2016 (Class B/C)

* Independent under Argentine law and under Rule 10A-3 under the Securities Exchange Act of 1934, as amended.
** The following family relationships exist within the board of directors: Marcos Marcelo Mindlin and Damián Miguel Mindlin are brothers.

The following is a brief description of our current directors' and alternate directors' background, experience and principal business activities:

Ricardo Alejandro Torres was born on March 26, 1958. Mr. Torres holds a degree in Public Accounting from the Universidad de Buenos Aires and a Master's degree in Business Administration from the Instituto de Altos Estudios Empresariales—Escuela de Negocios de la Universidad Austral. He has been a member of Pampa Energía's board of directors since November 2005 and was elected as Vice Chairman in 2013. Mr. Torres is, since March 2012, Chairman of our board of directors. He currently serves as director of Bodega Loma de la Lata S.A., CPB, CTG, Loma de la Lata, Energía Distribuida S.A., EASA, PEPCA, HIDISA, HINISA, IEASA, Diamante, Nihuiles, IPB, Pampa Comercializadora S.A., PISA, Pampa Participaciones, Pampa Participaciones II, Petrolera Pampa, Ponderosa Assets Holding I LLC. Ponderosa Assets Holding II LLC, RT Warrants S.A., Transelec, Pop Argentina S.R.L. (Partner), Todos Capital S.R.L. (Partner); Citelec (alternate director), Orígenes Seguros de Vida S.A., Orígenes Seguro de Retiro S.A., Transba (alternate director). Also, Mr. Torres is the vocal of the management board of "*Fundación Pampa Energía Comprometidos con la Educación.*"

Gustavo Mariani was born on September 9, 1970. Mr. Mariani holds a degree in Economics from the Universidad de Belgrano and a Master's degree in Business Administration from the Universidad del CEMA and also is a Chartered Financial Analyst (CFA) since 1998. He has been a member of our board of directors since November 2005 and was elected as Chairman in 2013. Mr. Mariani joined Grupo Dolphin in 1993 as an analyst and also served as an investment portfolio manager. He currently serves as Director of Bodega Loma la Lata S.A., CPB, CTG, Loma de La Lata, GMA Warrants S.A., Transener, Compañía de Inversiones S.A., Citelec, Comunicaciones y Consumo S.A., Consultores Fund Management S.A., Dolphin Créditos S.A., Dolphin Créditos Holding S.A., Dolphin Finance S.A, Dolphin Fund Management S.A., Dolphin Inversora S.A., IEASA, EASA, Transba, Pampa Energía, Energía Distribuida S.A., PEPCA, Grupo Dolphin S.A. Grupo Dolphin Holding S.A., HIDISA, HINISA, Nihuiles, Diamante, IEASA, IPB, Orígenes Seguros de Vida S.A., Orígenes Seguros de Retiro S.A., Pampa Comercializadora S.A., Pampa F&F LLC, Pampa Participaciones II, Pampa Participaciones, Transelec, Petrolera Pampa, CIESA, Sitios Argentinos S.A. and TGS, and as alternate liquidator of CAM Gerenciadrora S.A. (en liquidación). Also, Mr. Mariani is the executive secretary of the management board of "*Fundación Pampa Energía Comprometidos con la Educación*."

Marcos Marcelo Mindlin was born on January 19, 1964. He has been a member of our board of directors since June 16, 2006. He is a member of the Council of the Americas. Mr. Mindlin received a Master of Science in Business Administration from the Universidad del CEMA (Center of Macroeconomic Studies). He also holds a degree in Economics from the *Universidad de Buenos Aires*. In 2008, Mr. Mindlin founded and since that time has directed a charity foundation called "*Fundación Pampa Energía Comprometidos con la Educación*" whose purpose is to improve childhood development and education. Mr. Mindlin is also a member and was Chairman of the Board of the Executive Committee of Tzedaka, a leading Jewish-Argentine foundation. From 1989 to 2004, Mr. Mindlin served as the founder, Senior Portfolio Manager and a shareholder of Grupo Dolphin. From 1991 to 2003, Mr. Mindlin was also a shareholder, Vice-Chairman and Chief Financial Officer of Inversiones y Representaciones S.A. (IRSA), a leading Argentine real estate company listed on the New York Stock Exchange. In November 2003, Mr. Mindlin resigned from IRSA to focus his work on Grupo Dolphin. Mr. Mindlin has extensive expertise in Latin America through his role as Chairman of the board of directors of Grupo Dolphin and several of its affiliates. From 1999 to 2004, Mr. Mindlin also served as Vice President of Alto Palermo S.A. (a leading owner and operator of shopping centers in Buenos Aires), Vice President at Cresud S.A.I.C. (one of the largest listed agricultural companies in Argentina) and as Director and member of the Executive Committee of Banco Hipotecario, the leading mortgage bank in Argentina. Mr. Mindlin also serves as director of Pampa Energía S.A., Grupo Dolphin S.A., Dolphin Finance S.A., Electricidad Argentina S.A., IEASA S.A., HINISA, HIDISA, Transelec Argentina S.A., Loma de la Lata, Güemes, Inversora Diamante S.A., Inversora Nihuiles S.A., Dolphin Créditos S.A., Dolphin Créditos Holding S.A., Dolphin Inversora S.A., Piedra Buena, IPB, Petrolera Pampa, Pampa Participaciones II S.A., Energía Distribuida S.A., Pampa Participaciones S.A., Bodega Loma de la Lata S.A., PEPCA, Grupo Dolphing Holding S.A., Orígenes Seguros de Retiro S.A., Orígenes Seguros de Vida S.A. Consultores Fund Management, Sitios Argentinos S.A., Pampa Comercializadora S.A. and Mindlin Warrants S.A.

Damián Miguel Mindlin was born on January 3, 1966. He has been a member of our board of directors since November 2005. Mr. Mindlin joined Grupo Dolphin in 1991 as a shareholder and a director. Since November 2003, Mr. Mindlin has served as Investment Portfolio Manager of Grupo Dolphin. Also, Mr. Mindlin is the vice president of management board of "Fundación *Pampa Energía Comprometidos con la Educación*". Additionally, he currently serves as director of Pampa Energía S.A., Grupo Dolphin S.A., Dolphin Finance S.A., Electricidad Argentina S.A., IEASA S.A., HINISA, HIDISA, Transelec Argentina S.A., Pampa Participaciones S.A., Güemes, Inversora Diamante S.A., Inversora Nihuiles S.A., Piedra Buena, IPB, Dolphin Créditos S.A., Dolphin Créditos Holding.S.A., Dolphin Inversora S.A., Petrolera Pampa, Pampa Participaciones II S.A., Energía Distribuida S.A., Pampa Inversiones, Bodega Loma de la Lata S.A., PEPCA (alternate director), Citelec (alternate director), Grupo Dolphin Holding S.A., ARPHC S.A., Estancia María S.A., Pampa Comercializadora S.A., Consultores Fund Management, Dolphin Fund Management, Pampa F&F and DMM Warrants S.A., Orígenes Seguros de Vida S.A., Orígenes Seguros de Retiro S.A. and Sitios Argentinos S.A., and as liquidator of CAM Gerenciadora S.A. (en liquidación).

Carolina Sigwald was born on November 15, 1967. She is Director of Legal and Regulatory Affairs of Edenor since October 2015. She started her professional career as a lawyer in Central Puerto after its privatization and then joined Chadbourne & Parke in New York and later the Inter-American Investment Corporation (IIC) in Washington. Carolina returned to Argentina in 1998 as founding partner of Law Firm Díaz Bobillo, Sigwald & Vittone, where she performed as external advisor for energy

companies, Pampa Energia among them. Likewise, she took office in Transportadora de Gas del Sur's and Telefónica de Argentina's board of directors. Mrs. Sigwald obtained her law degree in from the University of Buenos Aires, where she graduated with honors.

Maximiliano Alejandro Fernández was born on April 21, 1960. He has been a director of Edenor since 2007 and has served as a director of EASA from 2005 to 2007. Mr. Fernández has been an associate at Impsat Fiber Network since 1998, and currently serves as president of Red Alternative S.A. Mr. Fernández served as the chairperson of Alternativa Gratis S.A, which he founded along with IRSA, until its merger in 2005. Since 1991, he has worked as an independent contractor in the telecommunications industry. Mr. Fernández is an industrial engineer and graduate of the Universidad de Buenos Aires.

Eduardo Llanos was born on April 29, 1944. He has been a director of Edenor since 2008. Mr. Llanos served as a member of the Supervisory Committee of Televisión Federal S.A. (Telefé), Telefónica de Argentina S.A. y Telefónica Holding Argentina S.A. From 1969 to 2000, Mr. Llanos worked at Arthur Andersen / Pistrelli, Diaz y Asociados, in the Auditing Division and the Tax Division. When he left Arthur Andersen, Mr. Llanos was an International Partner, the Director of Tax Practice for Argentina, Chile, Uruguay, Paraguay and Boliva and the Director of Operations in Bolivia. From 2000, Mr. Llanos is a partner at Estudio E. Llanos y Asociados. Throughout his career, Mr. Llanos has taught tax and public finance classes at the Universidad de Buenos Aires, Universidad Nacional de Lomas de Zamora and Universidad de Morón. Mr. Llanos graduated with a degree in Public Accounting from the Universidad de Buenos Aires in 1971.

Emilio Basavilbaso, was born on September 11, 1976. He has been a member of the Company's board of directors since 2016. In December 2015, he was appointed Executive Director of the National Social Security Administration (ANSES). He performed in different public duties such as President of Housing Institute, Sub-Secretary of Strategy and development of Human Resources and General Secretary of the Administrative Reform Committee, Sub-Secretary of Public Management Modernization and Strategic Planning General Director, all these positions whiting the Autonomous City of Buenos Aires' public administration. Likewise, he worked for Telefónica in Argentina, Spain and Brazil, in the Corporate marketing and Development area. Mr. Basavilbaso obtained a degree in Business Economics, issued by the Torcuato Di Tella University (UTDT). In addition, he obtained a Master in Business Administration with honors in the Antonio de Nebrija University in Spain and at present, he is studying for a Leadership degree at Buenos Aires Institute of Technology (ITBA).

Carlos Alberto Lorenzetti, was born on July 7, 1940. From 1964 to 1971, he served as General Accountant in Ducilo (Dupont Argentina). As from 1971, he worked as Administrative and Financial Director at Iveco Argentina. From 1976 until 1978, Mr. Lorenzetti held the General Management of Siderúrgia Integrada. Later, in 1979, he served as advisor to the Presidency of the Banco de la Nación Argentina. From 1981 to 1983, he served as Manager of the Administration and Finance area at Austral Líneas Aéreas. From 1983 to 1988, he was Director of Finance for Sideco Americana. He was Director of Administration and Finance of C.R.M (Movicom) from 1988 to 1990, and of CICA S.A. from 1991 to 1992. In 1994, he served as Deputy Manager of Administration and Control at the Argentine Central Bank until 1997. He was Manager of Administration and Finance at Ambrosoli Argentina from 1997 to 2001 and at South Aurora from 2003 to 2005. From 2007 until 2013, he was Chairman of the Audit Committee of AUSA. Since 2013, he has been General Manager and Member of the Board of Directors of Teatro Colón. He holds a degree of Doctor in Administration from the University of Buenos Aires.

Lucas Amado was born on May 24, 1974. Since 2016 he has been a member of the Company's board of directors. He obtained a lawyer degree at Universidad Católica Argentina. He performed as Chief of the Land Registry, Real State Managing Director and Secretary of State of the Government of the province of Salta. He is member of the Salum, Amado & Asociados Law firm in the province of Salta and of the Rivera & Asociados Law firm.

Mariano García Mithieux was born on February 5, 1967. He has been a member of the Company's board of directors since 2016. He graduated in Architecture at the University of Buenos Aires and performs as architect in EWG, Architectural Urban Group.

Fernando Bearzi was born on September 15, 1969. He has been a member of the Company's board of directors since 2016. He obtained an Economics degree at Universidad de Morón and a Financial Assets MBA with honors at the Escuela Superior de Economía y Administración de Empresas

(ESEADE). He is a partner of F. Bearzi & Asociados. He performs Consultancy and Advisory services for Interbank, Interfondos, Globant, Microsoft, Thomson Reuters, among others. He delivers expertise lectures and seminars for Bloomberg, Microsoft, Schroders and Thomson Reuters, in the United States, Mexico, Costa Rica, Panama, Venezuela, Colombia, Ecuador, Peru, Chile and Argentina.

Diego Martin Salaverri was born on August 7, 1964. He has been a member of our board of directors since June 2006. He is a founding partner of the Argentine law firm of Salaverri, Dellatorre, Burgio & Wetzler Malbrán. He earned a degree in law in 1988 from the Universidad Católica Argentina, Buenos Aires. He is member of the board of directors of Pampa Energía S.A., Estancia María S.A., Socotherm Amercias S.A. and ARPHC S.A. He is also a member of the supervisory committee of Dolphin Créditos S.A., Dolphin Créditos Holding S.A., Grupo Dolphin Holding S.A., Dolphin Finance S.A., Orígenes Seguros de Retiro S.A., Orígenes Seguros de Vida S.A., CIESA and TGS. Until 2007, he was a member of the board of directors of EASA. Mr. Salaverri resigned from his position as director of EASA at the November 14, 2007 meeting of the board of directors of EASA. Mr. Salaverri is also an alternate member of the statutory audit committee of GSF S.A. and Partners I S.A.

Leandro Carlos Montero was born on February 11, 1976. Mr. Montero has been a member of our board of directors since 2012. He is the chief financial officer of Edenor and previously served in the investment group of Pampa Energía S.A. He also served as director in CAMMESA. Prior to joining Edenor in 2012, Mr. Montero held various positions in the Administration and Finance areas of Pampa Energía and Petrobras Argentina S.A., both public and SEC-listed companies. Mr. Montero worked at Ernst & Young - Pistrelli, Henry Martin y Asociados in the Advisory and Auditing Division. Mr. Montero holds a degree in Public Accounting from the Universidad de Buenos Aires and a Master degree in Business Administration from the Instituto de Altos Estudios Empresariales (IAE), school of business of the Universidad Austral.

Daniel Eduardo Flaks was born on November 19, 1964. Mr. Flaks has been a member of our board of directors since 2012. He joined Edenor in 1993. Between 1993 and 2003, Mr. Flaks served as department head and assistant manager in the areas of San Justo and Olivos. Between 2003 and 2006, he worked first as business manager and later as operations manager of the areas of Olivos and Pilar. Between 2006 and 2010, he worked as manager of distribution, responsible for directing, coordinating and controlling the technical and commercial operations of Edenor relating to the operation of the high, medium and low voltage facilities, control centers and commercial operations referring mainly to the attention of customers and the relationship with municipal governments and the ENRE. He currently serves as technical director of Edenor. Between 1993 and 1998, he was assistant professor of electrical power systems at Universidad Tecnológica Nacional. Mr. Flaks has a degree in electrical engineering from the Universidad Tecnológica Nacional and holds an MBA from the Universidad del Salvador in Argentina.

Gerardo Carlos Paz has been a member of our board of directors since April 28, 2015. He worked as a lawyer at the ENRE for the period between 1994 and 2000. Then, he became Manager of Legal Affairs at Camuzzi Gas Pampeana S.A. (2001-2007). As from 2007 and to date, he has worked at Pampa Energía S.A, as manager of the Legal and Regulatory Area and as Director of Legal and Regulatory Affairs. He has a degree in Law from the Universidad Nacional de Córdoba.

Mariano Batistella was born on July 31, 1982. He has been a member of our board of directors since 2012. He currently works as Investor Relations Officer, Planning Manager and Special Projects Manager of Pampa Energía S.A. Mr. Batistella worked in investment banking at Goldman Sachs. Mr. Batistella holds a degree in business administration from the Universidad de San Andres and has a postgraduate degree in finance from the same institution. He currently serves as alternate director for Pampa Energía S.A., CIESA and TGS.

Pablo Alejandro Díaz was born on June 26, 1957. Mr. Díaz has been member of our board of directors since 2012. Previously he served as alternate director. Mr. Díaz currently serves as an advisor to the president of Grupo Dolphin S.A. He also serves as an alternate director at Transba S.A. and a Director of Inversora Ingentis S.A., Inversora Nihuiles S.A., Inversora Diamante S.A., Pampa Participaciones II S.A., Central Térmica Güemes S.A., Inversora Piedra Buena S.A., Hidroeléctrica Diamante S.A., Hidroeléctrica Nihuiles S.A., Citelec S.A. and Transener S.A. Previously, he was an Advisor at the Argentine Undersecretary for Electrical Energy (*Subsecretaría de Energía Eléctrica*) and has held various positions in the electricity industry.

Diana Elena Mondino was born on August 8, 1958. Ms. Mondino has been an alternate director of Edenor since 2012. She is also a director of ISE, an agribusiness company based in Argentina. Previously, she was based in New York, as Regional Head for Latin America for Standard & Poor's Credit Market Services, reporting to the executive vice president. Before joining Standard & Poor's, she was one of the principal and founding members of the leading credit rating agency in Argentina which Standard & Poor's acquired in 1997. Previously, Ms. Mondino held various advisory positions in finance, marketing and strategic planning for various companies and was Dean of Studies for the MBA program at CEMA-Buenos Aires. Ms. Mondino holds an MBA from IESE in Spain. She received a B.A. in Economics from the University of Cordoba, Argentina.

Santiago Lucas Jonas Aguilar was born in Buenos Aires on October 7, 1981. He has been a member of our board of directors since April 1, 2017. He was appointed Operations and Investment Control Director at the Sustainability Guarantee Fund in February 2011. Previously, he performed as advisor to the Board of Directors of Banco Hipotecario S.A. and for 5 years he performed as lawyer at Cabanellas, Etchebarne & Kelly´s law firm. Mr. Jonas Aguilar obtained a lawyer degree at Universidad Católica Argentina UCA and obtained a master's degree in Business Administration at the Torcuato Di Tella University (UTDT).

José María Tenaillon was born on October 23, 1989. He has been a member of our board of directors since April 1, 2017. Mr. Tenaillon worked for Severgnini, Robiola Grinberg and Larrechea between 1998 and 2000, for Liendo & Castiñeyras from year 2000 to 2005, for the National Securities Committee (CNV) during 2005 and 2006, for Zang, Bergel & Viñes during 2006 and 2007, for Marval, O' Farrell and Mairal from 2007 to 2010. As from the year 2010, Mr. Tenaillon works for the Sustainability Guarantee Fund. Mr. Tenaillon obtained a lawyer degree at the University of Buenos Aires, specializing in Commercial and Business Law.

Ignacio Gustavo Álvarez Pizzo was born on August 19, 1985. He has been a member of our board of directors since April 1, 2017. At present, he holds the position of Corporate Issues Coordinator at ANSES´s Sustainability Guarantee Fund. Mr. Alvarez Pizzo is a lawyer and obtained his degree at the Belgrano University. Likewise, he obtained a Master's degree in Corporate Law at Austral University.

Juan Martín Monge Varela has been a member of our board of directors since April 1, 2017. Mr Varela worked as an Analyst at Galicia Advent Private Equity Fund, as from 1998. In 2000 he became Associate Director at Metlife Investments. Later, in 2005, Mr. Varela assumed as Chief Investment Officer at the same company. Currently, he holds the position of Executive Deputy Director at ANSES.

Carlos Andrés Rodríguez Lubary has been a member of our board of directors since April 1, 2017. Mr. Lubary started working for JP Morgan as an Analyst in 1987. In 1998, he was transferred to the Company's NY Headquarters where he performed as Latin America's Credit Responsible. In 2007, he returned to Buenos Aires and became the General Manager of the local office until early 2009. From there on and until March 2011 he was involved in family activities and in different NGOs. In March 2011, he returned to JP Morgan in Buenos Aires where he became Latin America's Treasury Services Responsible. In 2014, he retired to engage again in family activities. As from January 2017 he performs as Investment General Director at the ANSES´s Sustainability Guarantee Fund. Mr. Rodriguez Lubary holds a degree in Administration, and graduated at the University of Buenos Aires.

COMPENSATION

Our board of directors does not have a compensation or remuneration committee. The aggregate remuneration paid to the members and alternate members of our board of directors, the members and alternate members of our supervisory committee and our senior management during 2016 was Ps. 7.2 million, Ps. 0.5 million and Ps. 124.4 million, respectively.

BOARD PRACTICES

The duties and responsibilities of the members of our board of directors are set forth in Argentine law and our by-laws. Under Argentine law, directors must perform their duties with loyalty and the diligence of a prudent business person. Directors are prohibited from engaging in activities that

compete with our company without express authorization of a shareholders' meeting. Certain transactions between directors and our company are subject to ratification procedures established by Argentine law.

On November 29, 2012, the Argentine government enacted the Capital Markets Law which revokes law No. 17,811 and Decree No. 677/01. However, Capital Markets Law took most of the provisions established in those regulations. The Capital Markets Law was enacted with the aim of creating an adequate legal framework to strengthen the level of protection of investors in the market. Other objectives of the Capital Markets Law were to promote the development, liquidity, stability, solvency and transparency of the market, generating procedures to guarantee the efficient distribution of savings and good practices in the administration of corporations.

The Capital Markets Law imposes the following duties on members of the board of directors of Argentine public companies:

- a duty to disclose all material events related to the company, including any fact or situation which is capable of affecting the value or trading of the securities of the company;
- a duty of loyalty and diligence;
- a duty of confidentiality; and
- a duty to consider the general interests of all shareholders over the interests of controlling shareholders.

There are no agreements between our company and the members of our board of directors that provide for any benefits upon termination of their designation as directors.

None of our directors maintains service contracts with us except as described in "Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions."

The significant differences between our corporate governance practices and the NYSE standards are listed on our website in compliance with the NYSE requirements. For a summary of these differences see "Item 16. Corporate Governance".

Executive Committee

On October 4, 2007, our board of directors created an executive committee, as contemplated by our by-laws and Law 19.550, and delegated to the executive committee the authority to take certain actions on behalf of the board. The executive committee complements the work of the board by executing certain day-to-day tasks required to oversee our activity. By creating an executive committee, the board sought to increase the efficiency of our management. The Executive Committee consists of Ricardo Torres, Marcos Marcelo Mindlin, Gustavo Mariani and Damián Mindlin.

Audit Committee

Pursuant to the Capital Markets Law and CNV rules, Argentine public companies must appoint a *comité de auditoría* (audit committee) composed of at least three members of the board of directors, a majority of which must be independent in accordance with the criteria set forth by Argentine law. They serve for one-year periods

Pursuant to our by-laws, one director is appointed by holders of our Class A common shares and one by holders of our Class B common shares. Our audit committee's duties include:

- monitoring our internal control, administrative and accounting systems;
- supervising the application of our risk management policies;
- providing the market adequate information regarding conflicts of interests that may arise between our company and our directors or controlling shareholders;
- rendering opinions on transactions with related parties;
- supervising and reporting to regulatory authorities the existence of any kind of conflict of interest;

- supervising external audit and evaluating their independence, plans and performance;
- evaluating plans and performance of the internal audit, and
- supervising the operations of the complaints channel.

The members of our audit committee are:

Name	Position	Class electing member
Eduardo Llanos [(1)]	Member	Class A
Maximiliano Alejandro Fernández [(1)]	Member	Class A
Lucas Amado [(1)]	Member	Class B/C

(1) Independent under Argentine law and under Rule 10A-3 under the Securities Exchange Act of 1934.

Senior Management

The following table sets forth information regarding our senior management:

Name	Current Position	Age
Ricardo Torres	Chairman and Chief Executive Officer (CEO)	58
Leandro Carlos Montero	Chief Financial Officer (CFO)	41
Daniel Eduardo Flaks	Technical Director	52
Eduardo Maggi	Director of Operations	61
Gerardo Tabakman	Director of Information Technology and Telecommunications	42
Victor Augusto Ruiz	Principal Accounting Officer	57
María Carolina Sigwald	Director of Legal and Regulaory Affairs	49
Mariana De La Fuente	Director of Human Resources	48

Eduardo Maggi was born on December 31, 1955. Mr. Maggi was appointed director of operations of Edenor in 2001. Mr. Maggi currently serves as a director of SACME, which is responsible for the management of regional high-voltage distribution in the greater Buenos Aires metropolitan area and for coordinating, controlling and supervising the operation of the generation, transmission and sub-transmission network in the City of Buenos Aires. Previously, Mr. Maggi served as director of operations of two of Edenor's operation areas, San Martín and Morón. Mr. Maggi began his career at Edenor as a technical manager. Mr. Maggi received a degree in engineering from the Universidad Tecnológica Nacional and an MBA from the Universidad del Salvador y Deusto in Spain.

Gerardo Tabakman was born on January 22, 1975. He is Director of Information Technology and Telecommunications of Edenor since April 2012. He has also served as Manager of Edenor area between September 2011 and April 2012. Previously, he served as Manager of Systems in Pampa Energía, between February 2008 and September 2011, and Accenture, where he worked from June 1997 to February 2008. Mr. Tabakman has a degree in Business Administration from the Universidad de Buenos Aires and an MBA in Management Development Program from the Instituto de Altos Estudios Empresariales (IAE), school of business of the Universidad Austral.

Víctor Augusto Ruiz was born on December 20, 1959. He began working at Edenor in 1992. Mr. Ruiz was one of the original partners from the consortium that participated in the privatization of our company. He was part of the Grupo ASTRA CAPSA (Astra Compañía Argentina de Petroleo S.A.). Between 1992 and 2006, he worked as financial statements sub-manager and accounting sub-manager at Edenor. Between 2006 and 2008, he worked as tax manager and since August 2008 he has worked as principal accounting officer. He is a consultant member of the Tax Commission and the Accounting Rules and Public Offering Commission at la *Cámara de Sociedades Anónimas* (Chamber of Businesses). Mr. Ruiz holds a CPA from la Universidad de Buenos Aires and an MBA from la Universidad del Salvador in Argentina and Deusto in Spain.

Mariana de la Fuente was born on December 5, 1968. She is Director of Human Resources of Edenor since July 2014. She has also served as Manager of Edenor. Before joining the company, she

served as Manager of Human Resources EDEN (Empresa Distribuidora Norte Energia SA) company that was part of Pampa Energía since 2011. In addition, she has served since 1990 in various areas of responsibility in human resources in various multinational companies such as Monsanto, Cerveceria Quilmes, Cabot and Abertis. Miss de la Fuente has a degree in psychology from the University of Buenos Aires an MBA in Management Development Program from the Instituto de Altos Estudios Empresariales (IAE), school of business of the Universidad Austral.

Supervisory Committee

Argentine law requires certain corporations, such as us, to have a *Comisión Fiscalizadora* (supervisory committee). The supervisory committee is responsible for overseeing compliance with our by-laws, shareholders' resolutions and Argentine law and, without prejudice to the role of external auditors, is required to present to the shareholders at the annual ordinary general meeting a written report on the reasonableness of the financial information included in our annual report and in the financial statements presented to the shareholders by our board of directors. The members of the supervisory committee are also authorized to attend board of directors' audit committee' and shareholders' meetings, call extraordinary shareholders' meetings, and investigate written complaints of shareholders holding at least 2% of our outstanding shares. Pursuant to Argentine law, the members of the supervisory committee must be licensed attorneys or certified public accountants.

Our by-laws provide that our supervisory committee must consist of three members and three alternate members, elected by our shareholders at an ordinary meeting. Members of our supervisory committee are elected to serve one-year terms and may be re-elected. Pursuant to our by-laws, holders of our Class A common shares are entitled to appoint two members and two alternate members of the supervisory committee and holders of our Class B and Class C common shares are entitled to collectively appoint one member and one alternate member.

The members and alternate members of our supervisory committee are:

Name	Position	Year of appointment (class electing director)
José Daniel Abelovich (1)	Member	2015 (Class A)
Damián Burgio	Member	2015 (Class A)
Carlos Manuel Vidal (1)	Member	2015 (Class B/C)
Santiago Dellatorre	Alternate Member	2015 (Class A)
Marcelo Fuxman (1)	Alternate Member	2015 (Class A)
Walter Antoni Pardi (1)	Alternate Member	2015 (Class B/C)

(1) Independent under Argentine law.

José Daniel Abelovich was born on July 20, 1956. He has been a member of our supervisory committee since 2007. Mr. Abelovich is a partner of Abelovich, Polano & Asociados/ NEXIA INTERNATIONAL , an auditing firm. Mr. Abelovich also serves as member of the supervisory committees of Abus las Americas I S.A., Agra Argentina S.A., Agro Investment S.A., Agrotech S.A., Agrology S.A., Alto Palermo S.A., Arcos del Gourmet S.A., Baicom Networks S.A., Banco de Crédito y Securitización S.A., Banco Hipotecario S.A., BH Valores S.A. de Sociedad de Bolsa, BHN Seguros Generales S.A., BHN Sociedad de Inversión S.A., BHN Vida S.A., Bitania 26 S.A., Cactus Argentina S.A., Canteras Natal Crespo S.A., Loma de la Lata, Güemes, Compañía Buenos Aires S.A., Transener, Citelec, Conil S.A., Convexity Sociedad Gerente de Fondos Comunes de Inversión S.A., Cresud SACIF y A, Cyrsa S.A., Dolphin Créditos Holding S.A., Dolphin Créditos S.A., E-Commerce Latina S.A., EASA, Emprendimiento Recoleta S.A., Transba S.A., EDENOR, Energía Distribuida S.A., Exportaciones Agroindustriales Argentinas S.A., FCMI ARGENTINA FINANCIAL CORPORATION SA S G F C I, Fibesa S.A., Futuros y Opciones.Com S.A., FYO Trading S.A., Grupo Dolphin Holding S.A., HIDISA, Hoteles Argentinos S.A., Inversora Bolívar S.A., IRSA Inversiones y Representaciones S.A., La Clara de Banderaló SA, Llao – Llao Resorts S.A., Metroshop S.A., Northagro S.A., Nuevas Fronteras S.A., Nuevo Puerto Santa Fe S.A., Orígenes Seguros de Retiro S.A., Palermo Invest S.A., Panamerican Mall S.A., PEPASA, Pluriagro S.A., Powerco, Préstamos y Servicios S.A., Puerto Retiro S.A., Quality Invest S.A., Qualcomm International Inc., Real Estate Investments S.R.L., Shopping Neuquén S.A., Solares de Santa

María S.A., Tarshop S.A. and Unicity S.A. Mr. Abelovich holds a degree in Public Accounting from the Universidad de Buenos Aires.

Damián Burgio was born on December 13, 1963. He has been a member of our supervisory committee since 2012 Mr. Burgio is a co-founder partner of the Law Firm Salaverri Delatorre, Burgio & Wetzler Malbrán He holds a degree in Law from the Universidad Católica Argentina. Mr. Burgio is member of Urbanizadora del Sur S.A. board of directors and serves as an alternate director of AFI Servicios S.A. Additionally, Mr. Burgio currently serves as a member of the supervisory committe of Bodega Loma de Lata S.A. , Central Térmica Loma de Lata S.A. , Desarrollos Caballito S.A., Dolphin Créditos Holding S.A., Dolphin Créditos S.A., Dolphin Finance S.A., IEASA S.A., Inversora Diamante S.A., Inversora Nihuiles S.A., Inversora Piedra Buena S.A., Pampa Energía S.A., Argentina SRL, Compañía de Inversiones de Energía S.A., Distribuidora Disco S.A., T.G.S. S.A., Envases Plásticos S.A., Formosa Refrescos S.A., Salta Refrescos S.A. and Transelec Argentina S.A.

Carlos Manuel Vidal was born on March 4, 1949. He has been a member of our supervisory committee since 2016. From 1979 to the present, he has mainly worked as auditor appointed per proposal of the General Attorney's Office (SIGEN) on behalf of the government in different corporations (public limited companies, with and without the control of the National Securities Committee, State companies and liquidation companies) with different equity interests of the national government in the capital equity (majority and minority), being member of the corresponding board of directors and auditing commissions, such as: Repsol YPF S.A.; Papel Prensa S.A.; Aerolíneas Argentinas SA; Varios Ferrocarriles de Carga (NCA; FEPSA; FERROSUR); Elma SA; Aluminio Argentino S.A. (ALUAR); Sociedad Mixta Siderúrgica Argentina S.A. (SOMISA); Lotería Nacional S.E; TELAM S.E; Administración General de Puertos S.E.; O.S.N; Ferrocarriles Argentinos. He has also worked as management control manager at SIGEN and advised the Energy Commission of the Chamber of Deputies as well as the SE in connection with the 1986-2000 National Energy Plan Financing Scheme. He developed his audit role in many kind of corporations. He has experience in private companies such as Revlon de Argentina S.A., PHONALEX S.A.I.C and CITROEN ARGENTINA S.A. Mr. Vidal holds a Certified Account degree at the University of Buenos Aires.

Santiago Dellatorre was born on January 26, 1967. He is a founding partner of the Argentine law firm Errecondo, Salaverri, Dellatorre, Burgio & Wetzler Malbrán. He is a director of Envases Plásticos S.A. and Salta Refrescos S.A. He is a member of the statutory audit comittees of Desarrollos Gastronómicos S.A.; and an alternate member of the statutory audit committees of Pampa Energía S.A., Central Térmica Loma de la Lata S.A., Bodega Loma de la Lata S.A., IEASA S.A., Pampa Participaciones S.A., Pampa Participaciones II S.A., HIDISA, HINISA, IPB, Transelec Argentina S.A., EPCA S.A. and Electricidad Argentina S.A. Mr Dellatorre received his law degrees with honors from the Universidad Católica Argentina in 1990.

Marcelo Fuxman was born on November 30, 1955. He has been a member of our supervisory committee since June 2006. Mr. Fuxman is a partner of Abelovich, Polano & Asociados/ NEXIA INTERNATIONAL, an auditing firm, and managing partner of Real Estate Investments S.R.L. He currently serves as Director of Agencia Marítima Bluemar S.A. and Agra Argentina S.A., and as a statutory auditor of Agro Investment S.A., BHN Sociedad de Inversión S.A., Agropoly S.A., Agropecuaria Cervera S.A., BHN Seguros Generales S.A., BHN Vida S.A., Comercializadora Los Altos S.A., Credud SACIF y A, Cyrsa S.A., E- Commerce Latina S.A., Empalme S.A., Emprendimiento Recoleta S.A., Fibesa S.A., Futuros y Opciones.Com S.A., FYO Trading S.A., Inversiones Ganaderas S.A., Inversora Bolívar S.A., IRSA Inversiones y Reparaciones S.A., Llao-Llao Resorts S.A., Nuevas Fronteras S.A., Palermo Invest S.A., Panamerican Mall S.A., Patagonian Investment S.A., Quality Invest S.A., Shopping Alto Palermo S.A., Shopping Neuquén S.A., Solares de Santa María S.A., Tarshop S.A. and Powerco S.A. and as alternate member of the statutory audit committee of, Compañía Buenos Aires S.A., Dolphin Créditos S.A., Dolphin Créditos Holding S.A., Myland S.A., Petrolera Pampa S.A., Alto Palermo S.A., Cactus Argentina S.A., Dolphin Inversora S.A., Grupo Dolphin S.A. and Central Térmica Güemes, Electricidad Argentina S.A.,HIDISA. and Edenor. Mr. Fuxman holds a degree in Public Accounting from the Universidad de Buenos Aires.

Walter Antonio Pardi was born on April 14, 1961. He has been a member of our supervisory committee since April 2015. Since 1993, Mr. Pardi has served in the internal audit body of the Argentine government (*Sindicatura General de la Nación*). He also serves in the supervisory committee for several

Argentine companies, including Telam S.E., Nación Leasing S.A. and Operadora Ferroviaria S.E. Mr. Pardi holds a degree in Public Accounting from the Universidad de Buenos Aires.

EMPLOYEES

Edenor had 4,692 employees as of December 31, 2016, 4,696 employees as of December 31, 2015 and 4,314 employees as of December 31, 2014.

As of December 31, 2016, approximately 86% of our full-time employees were subject to two collective bargaining agreements. After our privatization, we implemented an employee reduction plan to reduce the number of employees from 6,368 employees at the time of the privatization. The employee reductions were primarily effected through an early retirement program. In July 1995, we signed two collective bargaining agreements with Sindicato de Luz y Fuerza and Asociación del Personal Superior, the two unions that represent our employees, which are currently in force pursuant to collective bargaining agreements 817/06 "E" (LYF) and 805/06 "E" (APSEE), which were renewed on November 8, 2006 and October 5, 2006 respectively. The union agreements have a joint commission integrated by representatives of the Company and the unions entities, to interpret the agreements and analyze claims and unresolved issues that arise in our daily activities. The most common issues that arise are related to changes in the organization of working tasks, the conformation of the working teams, , relocation and readjustment of employees positions, detailed situations with personnel and the analysis of the suitability of different technological advances and their applications. Currently, our relations with the unions are stable. However, we cannot guarantee that we will not experience any conflicts with our employees in the future, including with our unionized employees in the context of future negotiations of our collective bargaining agreements, which could result in events such as strikes or other disruptions that could have a negative impact on our operations.

On May 28 and October 16, 2014, the Secretariat of Labor (ST) issued Resolutions No. 836/14 and No. 1,928/14 whereby the following was established: a) a salary increase, until April 30, 2015, for the benefits of Edenor's employees and contractors who are represented by the Sindicato de Luz y Fuerza de Capital Federal (Electric Light and Power Labor Union of the City of Buenos Aires) and the Asociación del Personal Superior de Empresas de Energía (Association of Supervisory Personnel of Energy Companies) of 15% effective as of May 1, 2014 and of a cumulative 10% as of July 1, 2014; b) an increase, from May 1, 2014, in the percentage applicable on account of employee seniority, reaching 2.12% of the basic salary, per year of seniority; and c) a 10% to 18% increase, from May 1, 2014, in the percentage applicable to the non-calendar week modality of work. The aforementioned salary increases apply also to Edenor's contractors whose direct employers are included in the collective bargaining agreements of the above-mentioned union/association.

On September 8, 2016, we signed an agreement with Sindicato de Luz y Fuerza through which the light operating working teams have to apply with the polyfunctional development of their tasks, in order to increase the efficiency and levels of quality of service provided to customers, in accordance with requirements of the regulatory authorities.

Moreover, the abovementioned agreement established a salary increase of 11.1% based on the salaries in force as of April 2016, effective as of May 2016 for all personnel represented by the union. Accordingly, considering the 11.9% increase established in June 2015, the union reached an aggregate increase of 23% for the period May through October of 2016.

Through a new agreement, Sindicato de Luz y Fuerza obtained: (1) a salary increase of 6% (based on the salaries in force as of October 2016), which became effective as of November 2016; (2) a salary increase of 6%, which became effective as of March 2017; and, (3) a voluntary one-time extraordinary bonus not regarded as a salary item of Ps.10,000, payable in 2 installments of Ps. 5,000 each on January 20, 2017 and February 20, 2017.

We outsource a number of activities related to our business to third party contractors in order to achieve a lower and more flexible cost base, so as not to oversize our structure following works and investments plans that change from year to year and to provide us with the ability to respond more quickly to changes in our market.. We have contracts with third-party service companies, and counted with 4,045 employees as of December 31, 2016, 2,927 employees as of December 31, 2015 and 1,847

employees as of December 31, 2014. Although we have very strict policies regarding compliance with labor and social security obligations by our contractors, we are not in a position to ensure that, if conflicted, 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. As of December 31, 2016, 2015 and 2014 indemnification complaints amounted to Ps. 134 million, Ps. 162 million and Ps. 130 million, respectively. In 2016 indemnification charges decreased in comparison with the previous year to Ps.134 million, of which approximately Ps. 100 million correspond to capital allowances and the balance to cover the costs related to each process. Such amount includes third-party personnel as well as our own personnel's indemnification costs.

SHARE OWNERSHIP

None of the members of our board of directors, our audit committee or our senior management beneficially own any shares of our capital stock, except for Messrs. Ricardo Torres, Marcos Marcelo Mindlin, Damián Miguel Mindlin and Gustavo Mariani who, through Pampa Energía, are controlling shareholders of IEASA, which makes them indirect beneficiaries of all of our Class A common shares. In addition, Mr. Diego Martín Salaverri is the beneficial owner of less than one percent of our capital stock represented by Class B common shares. See "Item 7. Major Shareholders and Related Party Transactions."

Item 7. *Major Shareholders and Related Party Transactions*

The following table sets forth information relating to the ownership of our common shares as of the date of this annual report.

	Class[(1)]	Shares	Percent Ownership
Electricidad Argentina S.A.[(2)]	A	462,292,111	51.00%
Employee Stock Participation Program	C	1,952,604	0.21%
Public	B	189,798,332	20.94%
ANSES[(3)]	B	242,999,553	26.81%
Treasury Shares	B	9,412,500	1.04%
Total		**906,455,100**	**100.00%**

(1) Each class of shares entitles holders to one vote per share.

(2) All of our Class A common shares have been pledged to the Argentine government to secure our obligations under our concession and cannot be transferred without the prior approval of the ENRE. See "Item 4. Information on the Company—Business Overview—Our obligations." Electricidad Argentina S.A. (EASA) is an Argentine corporation wholly owned by Pampa Participaciones S.A.and IEASA. Pampa Participaciones S.A. holds 0.01% of the voting stock of EASA and IEASA holds the remainder 99.99% of the capital stock of EASA. Pampa Energía S.A. currently owns, directly and indirectly, 100% of the capital stock of Pampa Participaciones and IEASA. See "Item 7. Major Shareholders and Related Party Transactions - Acquisition by Central Térmica Loma de la Lata S.A".

(3) On November 20, 2008, the Argentine Congress passed a law unifying the Argentine pension and retirement system into a system publicly administered by the ANSES and eliminating the retirement savings system previously administered by private pension funds under the supervision of a governmental agency. In accordance with the new law, private pension funds transferred all of the assets administered by them under the retirement savings system to the ANSES. These transferred assets included 242,999,553 of our Class B common shares, representing 26.8% of our capital stock. The ANSES is subject to the same investment rules, prohibitions and restrictions that were applicable to the Argentine private pension funds under the retirement savings system, except as described in the following sentence. On April 12, 2011, the Executive Power issued Emergency Decree No. 441, which annulled the restrictions under Section 76(f) of Law No. 24,241 on the exercise of more than 5% of the voting power in any local or foreign company, such as us, in any meeting of shareholders, irrespective of the actual interest held in the relevant company's capital stock. The annulment of the restrictions under Section 76(f) of Law No. 24,241 came into effect on April 14, 2011. As of such date, ANSES may exercise its voting power in any local or foreign company, such as us, based on the actual interest held in the relevant company's capital stock.

All of our shares have the same voting rights. As of December, 31 2016, there was one registered shareholder of our ADSs in the United States and 5,945,042 of our ADSs were outstanding. Since certain of our ADSs are held by brokers or other nominees, the number of direct record holders in

the United States may not be fully indicative of the number of direct beneficial owners in the United States or of where the direct beneficial owners of such shares are residents. We have no information concerning holders with registered addresses in the United States that hold our shares not represented by ADSs.

Acquisition by Dolphin Energía and IEASA

In September 2005, Dolphin Energía and IEASA purchased an indirect controlling stake in us from EDFI. Until September 28, 2007, Dolphin Energía and IEASA were controlled by the principal members of Grupo Dolphin, Marcos Marcelo Mindlin, Damián Miguel Mindlin and Gustavo Mariani. Such principal members had significant experience investing in the Argentine energy sector dating back to 2004.

Acquisition by Central Térmica Loma de la Lata S.A.

On March 29, 2017, EASA approved, ad referendum of the corresponding shareholder resolutions and the corresponding approvals of the controlling entities, the merger by absorption between Central Térmica Loma de la Lata S.A. ("CTLL"), as merging and surviving company, and EASA and IEASA S.A. ("IEASA") - EASA's majority shareholder – as the merged/absorbed companies, which will be dissolved without liquidation. Accordingly, the merger plan was approved as well as the merger consolidated income statement. Such companies, CTLL and EASA and IEASA, belong to the same group, Pampa Energía S.A., which is their direct and/or indirect controller.

In accordance with the applicable regulations, EDENOR and EASA informed the ENRE and requested the corresponding authorization. As of the date of this annual report, the merger process was ongoing.

Initial Public Offering

In April 2007, we completed the initial public offering of our Class B ordinary shares in the form of American Depository Shares (ADSs). We and a group of our shareholders sold 18,050,097 ADSs, representing 361,001,940 ordinary Class B common shares, in an offering in the United States and other jurisdictions outside of Argentina, and the Employee Stock Participation Program sold 81,208,416 ordinary class B shares in a simultaneous offering in Argentina. The ADSs are listed on the New York Stock Exchange under the symbol "EDN" and the Class B common shares are listed on the BASE under the same symbol. We received approximately U.S.$ 61.4 million from the initial public offering, before costs. Of this amount, we used approximately U.S.$ 36 million to repurchase some of our Discount Notes due 2014. The remainder of the proceeds from the initial public offering was used to repurchase some of our Fixed Rate Par Notes due 2016 and for capital expenditures. After the initial public offering, our controlling shareholder continues to own 51% of our ordinary shares.

Acquisition by Pampa Energía S.A. (Formerly Pampa Holding S.A.)

On June 22, 2007, the principal members of Grupo Dolphin, Marcos Marcelo Mindlin, Damián Miguel Mindlin and Gustavo Mariani, and certain other minority investors, signed a stock subscription agreement with Pampa Energía S.A., pursuant to which they agreed to transfer all of the stock of Dolphin Energía and IEASA to Pampa Energía S.A. in exchange for common stock of Pampa Energía S.A. On August 30, 2007, the shareholders of Pampa Energía S.A. approved this transfer of shares, and the CNV and the BASE approved the public offering and listing of its shares in September 2007. The transaction was consummated on September 28, 2007, and as a result, Pampa Energía S.A. now owns 100% of the capital stock of each of Dolphin Energía and IEASA, which in turn collectively own all of the capital stock of EASA, our controlling shareholder. The ratio of exchange of common shares of Pampa Energía S.A. and shares of Dolphin Energía and IEASA was determined using the respective averages of the closing prices of Pampa Energía S.A.'s and our shares on the BASE during a 10-trading day period ending on August 15, 2007, taking into account, in the case of shares of Dolphin Energía and IEASA, EASA's stake in us, the net present value of EASA's outstanding indebtedness and the net present value of fees to be paid by us to EASA under the Financial Services Agreement dated April 4, 2006 between us and EASA. See "—Related party transactions—Financial services agreement with EASA."

The former shareholders of Dolphin Energía and IEASA, Messrs. Marcos Marcelo Mindlin, Damián Mindlin and Gustavo Mariani, are the controlling shareholders of Grupo Dolphin and are managers of

Pampa Energía S.A., an Argentine public company with a market capitalization of U.S.$ 275.5 million as of December 31, 2013. Pampa Energía S.A. was acquired in November 2005 by certain principals of Grupo Dolphin to serve as a corporate vehicle for private equity investments in Argentina. Through companies under their control, Messrs. Marcos Marcelo Mindlin, Damián Mindlin and Gustavo Mariani currently control approximately 22.77% of the common stock of Pampa Energía S.A. In addition, Messrs. Marcos Marcelo Mindlin and Damián Mindlin together with Pampa Energía S.A.'s chief executive officers Messrs. Gustavo Mariani and Ricardo Alejandro Torres, hold warrants to purchase, in the aggregate, approximately 22.5% of the common stock of Pampa Energía S.A. (on a fully diluted basis). The board of directors of Pampa Energía S.A. consists of nine directors, of which five are affiliated with Grupo Dolphin, including Mr. Gustavo Mariani who serves as chairman of the board of directors , Marcelo Mindlin, and Damián Mindlin , members of the board of directors. The principal executive officers of Pampa Energía S.A., excluding its Co-chief executive officer, are also affiliated with Grupo Dolphin.

In addition to its indirect stake in us, Pampa Energía S.A. owns as of the date of filing of this annual report, several investments in the Argentine electricity sector, including a 50% interest in the controlling shareholder of the principal electricity transmission company in Argentina, Transener and controlling stakes in six generation plants located in the Buenos Aires, Salta, Mendoza and Neuquén provinces (Central Piedra Buena S.A., Hidroeléctrica Los Nihuiles S.A., Hidroeléctrica Diamante S.A., Central Térmica Güemes S.A., and Central Térmica Loma de la Lata S.A.).

Share Buy-Back Program

On October 23, 2008, we launched a tender offer in Argentina for our Class B common shares at a purchase price of Ps. 0.65 per share 400,000 Class B common shares were validly tendered and purchased pursuant to the offer.

On November 14, 2008, we commenced an open-market share purchase program. Under the terms of the program, we were authorized to purchase our Class B common shares for up to Ps. 45 million, subject to certain volume and price restrictions. The open market share purchase program expired on March 17, 2009. Pursuant to the program we purchased 9,012,500 Class B common shares, at an average price of Ps. 0.65 per share, representing approximately 1.03% of our capital stock. As of the date of filing of this annual report, we held 9,412,500 Class B common shares as treasury stock.

The original term of the open-market share purchase program was extended by resolution of the Ordinary General Meeting of Shareholders of the Company dated March 3, 2011, for the same term, computable from November of that year.

On November 18, 2014, the Extraordinary General Meeting of the Company approved an additional extension of three years which will allow for an automatic reduction of capital under the Capital Market Law and develop a proposal to target those shares, which will be submitted for consideration and approval of the relevant corporate bodies.

Long-Term Incentive Plan

In 2017, the "long term incentive plan" addressed to Edenor's staff was developed with the purpose of keeping and attracting key staff and promoting the highest performance by offering company's shares to the executive and management levels and other key employees. The plan will be administered and executed by an implementing committee to be composed of three members of the Company's Executive Committee, which, in April of each year will decide on the implementation of the plan for the respective calendar year and shall issue the corresponding annual granting resolution.

Employee Stock Participation Program

At the time of the privatization of SEGBA (our predecessor), the Argentine government allocated all of our Class C common shares, representing 10% of our outstanding capital stock, to establish a *Programa de Propiedad Participada* (employee stock participation program, or PPP), pursuant to Law No. 23,696 and regulations thereunder, through which certain eligible employees (including former employees of SEGBA who became our employees) were each entitled to receive a specified number of our Class C common shares, calculated in accordance with a formula that considered a number of factors, including the employee's salary level, position and seniority. In order to implement

the PPP, a general transfer agreement, a share syndication agreement and a trust agreement were executed.

Pursuant to the transfer agreement, participating employees were allowed to defer payment for the Class C common shares over time. As a guarantee for the payment of the deferred purchase price, the Class C common shares were pledged in favor of the Argentine government. Furthermore, under the original trust agreement, the Class C common shares were placed in trust by the Argentine government with Banco Nación, acting as trustee for the Class C common shares, for the benefit of the participant employees and the Argentine government. In addition, pursuant to the share syndication agreement, all political rights of the participant employees (including the right to vote at our ordinary and extraordinary shareholders' meetings) were to be exercised collectively until the payment in full of the deferred purchase price and the release of the pledge in favor of the Argentine government. On April 27, 2007, the participant employees paid the deferred purchase price of all of the Class C common shares in full to the Argentine government and, accordingly, the pledge was released and the share syndication agreement was terminated.

According to the regulations applicable to the Employee Stock Participation Program, participating employees who terminated their employment with us before the payment in full of the deferred purchase price to the Argentine government were required to transfer their shares to the Guarantee and Repurchase Fund, at a price calculated pursuant to a formula set forth in the transfer agreement. As of the date of payment of the deferred purchase price, the Guarantee and Repurchase Fund had not paid in full the amounts due to the former participating employees for the transfer of their Class C common Shares.

A number of our and SEGBA's former employees have brought claims against the Guaranty and Repurchase Fund, the Argentine government and, in certain limited cases, us, in each case relating to the administration of our Employee Stock Participation Program. The plaintiffs who are former employees of SEGBA were not deemed eligible by the relevant authorities to participate in the Employee Stock Participation Program at the time of its creation, which determination these plaintiffs dispute and are seeking compensation for. The plaintiffs who are our former employees are either seeking payment of amounts due to them by the Guaranty and Repurchase Fund for share transfers that occurred upon their retirement from our employment or disputing the calculation of the amounts paid to them by the Guaranty and Repurchase Fund. In several of these claims, the plaintiffs have obtained attachment orders or injunctive relief against the Guaranty and Repurchase Fund over approximately 1,567,231 Class C common shares and Ps. 709,149 of the funds on deposit in the fund, in each case up to the amount of their respective claims. Because the outcome of these proceedings has not yet been determined, the Argentine government has instructed Banco Nación to create a Contingency Fund to hold a portion of the proceeds of the offering of Class B common shares by the Employee Stock Participation Program pending the outcome of these legal proceedings.

According to the agreements, laws and decrees that govern the Employee Stock Participation Program, our Class C common shares may only be held by our employees. Upon the closing of our initial public offering, substantially all of our Class C common shares were converted into Class B common shares and sold. In accordance with these agreements, laws and decrees, the rights previously attributable to the Class C common shares have been combined with those attributable to the Class B common shares, and holders of the remaining Class C common shares will vote jointly as a single class with the holders of Class B common shares in the election of directors. Only 1,952,604 Class C common shares remain outstanding, representing 0.2% of our capital stock.

RELATED PARTY TRANSACTIONS

Technical Assistance Agreement with EASA

On April 4, 2006, we entered into a Technical Assistance Agreement with EASA pursuant to which it shall provide us with advisory services, as well as services related to the potential development of new lines of business compatible with our corporate objectives. The services performed by EASA include providing assistance and advice in respect of our financial performance, our finance management team and our financial decision-making process, our engagement of financial.

On August 31, 2010, we signed an amendment to the EASA agreement extending the term of the agreement to five years following September 19, 2010. Our Board of directors approved the amendment on August 31, 2010. No other terms of the contract have been modified.

On November 10, 2015, another amendment was entered into to extend the term of the EASA agreement until September 19, 2020 and ratifying all other provisions. Such amendment was approved by our board of directors on November 9, 2015, with the prior favorable opinion of our Audit Committee.

Agreement with Comunicaciones y Consumos S.A.

On March 14, 2007 we entered into an agreement with Comunicaciones y Consumos S.A. (CYCSA), an Argentine company wholly owned by Mr. Marcelo Mindlin, pursuant to which we granted CYCSA the exclusive right to provide telecommunication services to our customers through the use of our network in accordance with Federal Decree 764/2000, which contemplates the integration of voice, data and imaging services through the existing infrastructure of electricity distribution companies such as us. Under the terms of this agreement, CYCSA is responsible for all expenses relating to the maintenance and adaptation of our network for use in providing its telecommunications services. The agreement was established with a term validity of ten years as from July 11, 2008, which in November 2008, was extended from ten to twenty years, thus terminating in July 2028.

The agreement also provides for automatic renewal at the expiration of each term for subsequent five-year periods, unless either party gives notice not less than 120 days prior to the expiration of such term. Under the agreement, CYCSA is required to make periodic requests for access to our network, which we will evaluate and grant based on available capacity in our network. In return for the use of our network, CYCSA will compensate us with 2% of its annual charges to customers, before taxes, as well as 10% of any profits derived from its services. In addition, CYCSA will indemnify us for any liability arising from the rendering of its services through our network. In October 2008, we entered into an amendment to the agreement with CYCSA granting CYCSA the right to use poles and towers of our overhead lines to lay a network of fiber optic cables. The amendment also grants us the right to use part of the capacity of the fiber optic cables

On December 28, 2015, a consolidated agreement was instrumented as approved by our board of directors on December 16, 2015, with the prior favorable opinion of our Audit Committee, replacing all previous agreements, letters of intent, arrangements, statements, warranties or other provisions, but without amending any of its terms and conditions.

On December 1, 2016, CYCSA ceased to be part of the Pampa Energía economic group.

Agreement with SACME

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

The purpose of SACME is to manage, supervise and control the operation of both the electric power generation, transmission and sub-transmission system in the City of Buenos Aires and the Buenos Aires metropolitan area and the interconnections with the Argentine Interconnection System (SADI), to represent distribution companies in the operational management before CAMMESA, and, in general, to carry out the necessary actions for the proper development of its activities.

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

The operating costs borne by the Company during fiscal year 2016 amounted to Ps. 35.4 million.

Orígenes Seguros de Vida S.A.

During the process of hiring a compulsory life insurance and after receiving several proposals from insurance companies, our board of directors approved the election of Origenes Seguros de Vida on March 8, 2016, subject to the supervisory committee's approval.

Item 8. ***Financial Information***

See "Item 18. Financial Statements" beginning on page F-1.

LEGAL AND ADMINISTRATIVE PROCEEDINGS

Legal Proceedings

In the normal course of our business, we are a party to lawsuits of various types. Our management evaluates the merit of each claim and assesses its likely outcome, recording an allowance in our financial statements for the related contingent liability when an unfavorable decision is probable and the amount may be reasonably estimated. At December 31, 2016, we had established provisions in the aggregate amount of Ps. 429.3 million to cover potential losses from such claims and legal proceedings. Except as disclosed below, we are not a party to any legal proceedings or claims that may have a material adverse effect on our financial position or results of operations.

We are not aware of any other contingencies that are reasonably possible and, as of December 31, 2016, there were no losses in excess of the contingencies that we recognized in our Financial Statements as of and for the year ended December 31, 2016.

Proceedings Challenging the Renegotiation of our Concession

On October 26, 2009, we received notice of a complaint filed by a consumer association, the Consumer's Cooperative for Community Action, against the Argentine government, the ENRE, Edesur, Edelap and us. In accordance with the terms of the complaint, two additional associations for the defense of consumer rights, Association for the Legal Defense of Consumers (*Asociación de Defensa de los Derechos de los Usuarios y Consumidores*) and Consumers Union Legal Defense (*Unión de Usuarios y Consumidores en Defensa de sus Derechos*), have joined the complaint.

The remedies sought in the complaint are as follow:

- that all the most recent tariff resolutions be declared null and unconstitutional (Resolutions No. 324/08 – 365/08 – 628/08, 645/08 of the ENRE and SE No. 1169/08 – 797/08 – 1170/08 and its annexes) and, as a consequence, that the amounts billed by virtue of these resolutions be refunded;

- that all the defendants be required to carry out the RTI;

- that the resolutions issued by the SE that extend the transition period of the Adjustment Agreement be declared null and unconstitutional;

- that the defendants be ordered to carry out the sale process, through an international public bidding, of their respective class "A" shares, due to the fact that the management period of the respective concessions has ended;

- that the resolutions as well as any act performed by a governmental authority that modify contractual renegotiations be declared null and unconstitutional;

- that the resolutions that extend the management periods contemplated in the defendant's respective concessions be declared null and unconstitutional; and

- that, alternatively, should the main claim be rejected, the defendants be ordered to bill all customers on a bi-monthly basis.

Additionally, the plaintiffs requested that the court issue a preliminary injunction suspending the rate hikes established in the resolutions questioned by the plaintiffs and that, alternatively, the application of the resolutions be partially suspended. Finally, the plaintiffs also requested that the application authority be ordered not to approve new increases other than within the framework of the RTI process.

The Company answered the complaint denying all its terms and requesting the summoning of CAMMESA as a third-party. The relevant court upheld the third-party summon and CAMMESA answered such third-party summon. The Argentine government answered the complaint filed against it by arguing lack of personal jurisdiction *("Falta de legitimación pasiva").* A decision on this case is pending.

We can give no assurance that these actions or other potential future actions or requests for injunctive relief will not reverse the adjustments we have obtained or block any further adjustments to our tariffs.

Breach of Contract Claims

In March 2010 *Consumidores Financieros, Asociación Civil Para Su Defensa,* a consumers' association, instituted an action against us and Edesur in the National Court of First Instance in Federal Administrative Claims Tribunal No. 2, Secretariat 3 (*Juzgado Nacional de Primera Instancia en lo Contencioso Administrativo Federal Nº 2, Secretería 3*) seeking repayment to customers for alleged excess charges over the course of the past ten years. The action is based on three claims. First, the plaintiffs claim a refund for the percentage payment of VAT over a taxable base they allege was inappropriately increased to include an amount that exceeded our and Edesur's own payments to the WEM. Second, the plaintiffs claim a refund for charges relating to interest on payments by customers that the plaintiffs claim we and Edesur failed to adjust to reflect the actual number of days the payment was outstanding. Finally, the plaintiffs claim a refund for late payment charges from 2008 onwards calculated at the rate of the *tasa pasiva* (the interest rate that *Banco de la Nación Argentina* pays on deposits) in alleged contravention of the Law of Consumer Defense (*Ley de Defensa del Consumidor*) in April 2008. We have given express directions to our legal advisors to contest the suit and all related claims and, on April 22, 2010, we answered the complaint and filed a motion to dismiss for lack of standing on the part of the plaintiffs, requesting, at such opportunity, that a summons be served upon the Argentine government, the Federal Tax Administration Agency ("AFIP") and the ENRE as third-party defendants. Although plaintiffs' opposition to the requested summons has not been resolved, the proceedings were brought to trial, in response to which we filed a motion for reversal with a supplementary appeal.

The court ordered the summoning as third parties of the Argentine government, ENRE and AFIP, which was already effected. A decision on this case is pending.

On October 21, 2011, we were notified of a lawsuit filed by the Association for the Defense of Rights of Users and Consumers (*Asociación de Defensa de Derechos de Usuarios y Consumidores, or "ADDUC"*) requesting that the interviewing Court (i) order the reduction or moderation of penalty interest rates or late payment interests that we charge to customers, because such rates allegedly violate Art. 31 of Law 24,240, and (ii) declare the non-implementation of the agreements or conventions which have stipulated the interest rates that we apply to our customers, and of the administrative regulations on the basis of which we justify the interest charging and (iii) orders the restitution of wrongfully perceived interests of customers provided since August 15, 2008 until the day that we comply with the order of interest reduction. The plaintiff also requested the reinstatement of VAT (21%) and other taxes charged on the portion of charges unlawfully perceived. On November 11, 2011, we answered the complaint and filed a motion to dismiss for both lack of standing and the fact that the claims at issue were being litigated in another lawsuit (lis pendes). The summoning as third-party of the ENRE was also requested. On April 8, 2014, the court decided to grant the motion to dismiss on account of the existence of other action pending (lis pendens) and ordered that the proceedings be referred to such othrt court, to be consolidated with such other case *"Consumidores Financieros Asociación Civil c/EDESUR y Otro s/ incumplimiento contractual"*.

We can give no assurance that these actions or other potential future actions or requests for injunctive relief will not reverse the adjustments we have obtained or block any further adjustments to our tariffs.

Legal actions brought by Edenor

On February 9, 2011, the Company challenged Resolution No. 32/11 of the ENRE which, in the context of the power cuts that occurred between December 20 and December 31, 2010, established the following:

- That the Company be fined in the amount of Ps. 750,000 due to its failure to comply with the obligations arising from the Concession Agreement and Section 27 of Law No. 24,065.

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

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

We have filed a direct appeal with the Appellate Court in Contentious and Administrative Federal Matters No. 1, requesting that such resolution be declared null and void. Additionally, we filed a petition requesting injunctive relief aimed at suspending the application of the fine imposed until a decision on the direct appeal is issued.

On July 8, 2011, we requested that process be served on the ENRE. On October 28, 2011, the court denied the request for injunctive relief. As a consequence, we filed a Federal Extraordinary Appeal with the Supreme Court which was dismissed. We then filed another appeal with the Supreme Court ("*Recurso de Queja por apelación denegada*") requesting review of the rejected federal extraordinary appeal, which as of the date of this annual report had not been resolved.

On April 24, 2013, we were notified of the decision of the Appellate Court in Contentious and Administrative Federal Matters No. 1 to deny direct appeal filed by Edenor. On May 3, 2013 and on May 13, 2013, we filed an Ordinary Appeal and an Extraordinary Appeal, respectively, with the Supreme Court. On November 7, 2014, our Ordinary Appeal was rejected and our Federal Extraordinary Appeal, partially granted. Edenor timely submitted an extraordinary appeal on account of the partially denied appeal *("Recurso de Queja por Recurso Extraordinario Denegado")*.

As of December 31, 2016, the provision recorded in relation to the aforementioned compensations amounted to Ps. 52 million, including principal amount and accrued interest. For further information on this legal proceeding, see "Item 4. Business Overview—Fines and penalties."

On June 28, 2013, we initiated a legal action against the Ministry of Planning, Public Investment and Services pursuant to the acknowledgment process and benefit of litigation without expenses, both entertained by the National Court of First Instance in Federal Administrative Claims Tribunal No. 11 (*Juzgado Nacional de Primera Instancia en lo Contencioso Administrativo Federal No 12*). Breach by the Argentine government of the agreed terms under the Adjustment Agreement was claimed and compensation of damages sought.

On November 22, 2013, the Company amended the complaint so as to claim additional damages as a consequence of the Argentine government's omission to perform the obligations under the Adjustment Agreement. On February 3, 2015, the court hearing the case ordered that notice of the complaint be served to be answered within the time limit prescribed by law, which was answered by the Argentine government. Subsequently, we informed the court of the issuance by the SE of Resolution No. 32/15 as new event ("*hecho nuevo*") under the terms of Section 365 of the Federal Code of Civil and Commercial Procedure. After notice was served, the court rejected the treatment thereof as an "event", holding the Company liable for costs. The Company filed an appeal, which was admitted "with a delayed effect" (i.e. the Appellate Court will grant or reject the appeal when deciding on the granting or rejection of the appeal against final judgment). On December 4, 2015, we requested the suspension of the procedural time-limits under the terms of section 157 of the Federal Code of Civil and Commercial Procedure, in accordance with the provisions of Resolution No. 32/15 of the SE, notice of which has been served upon the defendant. On February 16, 2016, we reiterated the request due to the revocation of

Resolution No. 32/15 of the SE. As of the date of this annual report, the procedural deadlines are suspended until May 17, 2017, as agreed by parties.

The motion to litigate without liability for court fees or costs, which was filed on July 2, 2013, is currently at the end of its discovery period and the period for the parties to submit their arguments on the merits of the evidence produced has begun. At the date of this annual report, the Company had requested the suspension of the procedural time-limits.

In December 2015, we filed a petition for a declaratory judgment and requested injunctive relief with the City of Buenos Aires Courts in Contentious and Tax-Related Matters (*Fuero Contencioso Administrativo y Tributario de la Ciudad de Buenos Aires*), in connection with a claim by the City of Buenos Aires against us in connection with an alleged local tax liability (relating to the Study, Review and Inspection of Works in Public Spaces Fees, the "TERI"). The injunctive relief requested aims at suspending the foreclosure proceedings initiated by the City of Buenos Aires and avoiding an attachment on our assets. As of the date of the filing of the petition, the City of Buenos Aires' claim amounted to Ps. 28.8 million.

In our opinion, such local taxes are not applicable to us under federal regulations and case law. Our management and its external counsel understand that there are reasonable grounds to believe that we should prevail on this matter.

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

At the same time, in accordance with the terms of Section 322 of the CPCCN, the Company filed a declaratory judgment action ("acción declarativa de certeza") with a Federal Court against the Federal Government, AFIP – DGI, with the aim of obtaining a declaratory judgment as to whether or not the minimum presumed income tax related to fiscal period 2011 applied in the sense resolved by the CSJN in the "Hermitage" case on June 15, 2010. In that case, the Supreme Court had declared that this tax was unconstitutional as it was deemed confiscatory.

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

Faced with this situation, and in order to avoid possible attachments or prohibitions to dispose of property that could affect the normal development of its activities for the provision of the public service, the Company decided to rectify the minimum presumed income tax return for fiscal period 2011 and adhere to the easy payment plan implemented by AFIP General Resolution No. 3,451.

On November 19, 2015, by means of administrative proceedings DJ/36/14 initiated by the AFIP, the Company was accused of and fined for the filing of an inaccurate minimum presumed income tax return for fiscal period 2011.

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

Additionally, and as provided for in Law No. 27,260, the fines and other penalties related to substantive obligations accrued as of May 31, 2016 will be automatically waived by operation of the law unless they become final at the date on which the referred to Law came into effect, or the main obligation had been settled as of that date.

DIVIDENDS

Under Argentine corporations' law, declaration and payment of annual dividends, to the extent the distribution of available earnings complies with the requirements of applicable Argentine corporate law, is determined by our shareholders at the annual ordinary shareholders' meeting. Generally, but not necessarily, the board of directors makes a recommendation with respect to the payment of dividends. Edenor has not declared or paid any dividends since August 14, 2001.

Amount available for distribution

Dividends may be lawfully declared and paid only out of our retained earnings stated in our yearly financial statements prepared in accordance with IFRS and CNV regulations and approved by the annual ordinary shareholders' meeting.

According to Argentine Corporations Law and our by-laws we are required to maintain a legal reserve of 20% of our outstanding capital stock. The legal reserve is not available for distribution to shareholders. Under Argentine corporations' law and our by-laws, our yearly net income (as adjusted to reflect changes in prior results) is allocated in the following order:

(i) to comply with the legal reserve requirement;

(ii) to pay the accrued fees of the members of our board of directors and supervisory committee;

(iii) to pay any amounts owed to our employees under the "Bonos de Participación para el Personal" (which are bonds issued to our employees according to the provisions of our by-laws, that entitle each holder to a pro rata portion of 0.5% of our earnings, after payment of taxes);

(iv) for voluntary or contingent reserves, as may be resolved from time to time by our shareholders at the annual ordinary shareholders' meeting; and

(v) remainder of the net income for the year may be distributed as dividends on common shares or as otherwise decided by our shareholders at the annual ordinary shareholders' meeting.

Our board of directors submits our financial statements for the preceding fiscal year, together with reports thereon by the supervisory committee, at the annual ordinary shareholders' meeting for approval. Within four months of the end of each fiscal year, an ordinary shareholders' meeting must be held to approve the financial statements and determine the allocation of our net income for such year.

Under applicable CNV regulations, cash dividends must be paid to shareholders within 30 days of the shareholders' meeting approving any dividends. In the case of stock dividends, shares are required to be delivered within three months of our receipt of notice of the authorization of the CNV for the public offering of the shares arising from such dividends. The statute of limitations for any shareholder to receive dividends declared by the shareholders' meeting is three years from the date in which they have been made available to the shareholder.

Pursuant to the Adjustment Agreement, Edenor cannot make any dividend payments without the ENRE's prior approval during the period in which Edenor is conducting the RTI.

As from February 2017, by means of ENRE Resolution No. 63/17, the company has no longer regulatory restrictions to make dividend payments. Consequently, we could pay dividends out of our retained earnings, subject to the conditions set forth by the Argentine Corporations Law.

SIGNIFICANT CHANGES

Except as identified in this annual report on Form 20-F, no significant change in our financial condition has occurred since the date of the most recent audited financial statements contained in this annual report. See "Item 5. Operating and Financial Review and Prospects—Factors Affecting our Results of Operations", "Item 5. Operating and Financial Review and Prospects—Liquidity and Capital

Resources" and "Item 3. Key Information—Risk factors—Risks Relating to Our Business—Failure or delay to negotiate further improvements to our tariff structure, including increases in our distribution margin, and/or to have our tariffs adjusted to reflect increases in our distribution costs in a timely manner or at all, has affected our capacity to perform our commercial obligations and could also have a material adverse effect on our capacity to perform our financial obligations.

On March 29, 2017, through Note No. 125,248 the ENRE established a new methodology for the calculation of fines and penalties, determining that fines must be valued according to the VAD values in effect as of the first day of the semester during which the event giving rise to the penalty occurred or the VAD value in effect as of the day of occurrence of the event in the case of penalties arising from specific events. See "Item 4. Business Overview—Fines and penalties".

On March 29, 2017, EASA approved, ad referendum of the corresponding shareholder resolutions and the corresponding approvals of the controlling entities, the merger by absorption between Central Térmica Loma de la Lata S.A. ("CTLL"), as merging and surviving company, and EASA and IEASA S.A. ("IEASA") - EASA's majority shareholder – as the merged/absorbed companies, which will be dissolved without liquidation. See "Item 7. Major Shareholders and Related Party Transactions".

On April 18, 2017, our shareholders' meeting decided not to approve the capital stock reduction at that time. However, if our quarterly negative results for the periods ended on March 31, 2017 and June 30, 2017 exceed 100% of our reserves and more than 50% of our capital stock, our board of directors will convene an extraordinary shareholder's meeting to reconsider the capital stock reduction.

In 2017, the "long term incentive plan" addressed to Edenor's staff was developed with the purpose of keeping and attracting key staff and promoting the highest performance by offering company's shares to the executive and management levels and other key employees. See "Item 7. Major Shareholders and Related Party Transactions".

Item 9. *The Offer and Listing*

Since April 26, 2007, our Class B common shares and the ADSs have been listed on the BASE and the NYSE, respectively. The ADSs have been issued by the Bank of New York as depositary. Each ADS represents 20 Class B common shares.

OFFER AND LISTING DETAILS

The following table sets forth, for the periods indicated, the annual high and low market prices for the ADSs on the NYSE and for the shares on the BASE.

	Buenos Aires Stock Exchange		**New York Stock Exchange**	
	Pesos per Share		*U.S. Dollars per ADS*	
Year	**High**	**Low**	**High**	**Low**
2012	1.65	0.52	7.03	1.71
2013	3.55	0.67	8.79	1.90
2014	8.70	2.32	16.47	4.93
2015	14.55	5.39	19.75	8.90
2016	22.20	9.38	27.98	13.44

The following tables set forth, for the periods indicated, the reported high and low sales prices for our shares on the BASE and the reported high and low sales prices for the ADSs on the NYSE.

	Buenos Aires Stock Exchange		New York Stock Exchange	
	Pesos per Share		*U.S. Dollars per ADS*	
Period	**High**	**Low**	**High**	**Low**
2015				
First Quarter	10.90	5.39	18.47	8.90
Second Quarter	10.30	8.20	17.43	12.93
Third Quarter	9.96	8.00	15.03	11.88
Fourth Quarter	14.55	8.40	19.75	12.13

	Buenos Aires Stock Exchange		New York Stock Exchange	
	Pesos per Share		*U.S. Dollars per ADS*	
Period	**High**	**Low**	**High**	**Low**
2016				
First Quarter	13.30	10.40	18.74	15.09
Second Quarter	13.15	9.38	17.51	13.44
Third Quarter	14.85	11.40	19.80	15.25
Fourth Quarter	22.20	15.00	27.98	19.84

	Buenos Aires Stock Exchange		New York Stock Exchange	
	Pesos per Share		*U.S. Dollars per ADS*	
Period	**High**	**Low**	**High**	**Low**
2016				
November	22.20	18.75	27.90	24.84
December	22.05	19.95	27.98	26.14
2017				
January	26.75	21.75	33.79	28.63
February	27.95	24.90	34.95	32.32
March	26.90	24.40	34.80	31.86
April (1)	27.00	26.05	35.37	34.05

(1) Represents the corresponding sale prices from April 1 through April 12, 2017.

MARKETS

Trading on the Buenos Aires Stock Exchange

Trading in the Argentine securities market

Pursuant to the provisions of the New Capital Markets Law No. 26,831 ("CML"), the securities market in Argentina is comprised of several markets that require authorization from the CNV to operate (the "Authorized Markets"), including the MERVAL, the Mercado Abierto Electrónico S.A., the Mercado Argentino de Valores S.A., the Mercado de Valores de Córdoba S.A., the Mercado a Término de Rosario S.A., among others. The CML allows the Authorized Markets to delegate certain of their duties and rights as a market to other qualified entities, as previously authorized by the CNV. Securities listed on these Authorized Markets include corporate equity and bonds and government securities.

Prior to the issuance of the CML, the BCBA was the principal and longest-established exchange in Argentina and is currently the fourth largest exchange in Latin America in terms of market capitalization. The BASE began operating in 1854 and accounted for approximately 95% of all equity trading in Argentina. In addition, through separate agreements with the BASE, all of the securities listed on the BASE could be listed and subsequently traded on the Córdoba, Rosario, Mendoza, La Plata and Santa Fe exchanges, by virtue of which many transactions originating on these exchanges related to

BASE-listed companies and were subsequently settled in Buenos Aires. With the enactment of the CML, securities listed on the BASE are now listed on the MERVAL.

Although companies may list all of their capital stock on the MERVAL or any other Authorized Market, controlling shareholders in Argentina typically retain the majority of a company's capital stock, resulting in a relatively small percentage of active trading of the companies' stock by the public on any such Authorized Market.

Argentina's equity markets have historically been comprised of individual investors, though in the past years, there has been an increase in the level of investment by institutional investors in these markets. The participation of the *Administración Nacional de la Seguridad Social* (ANSES) as equity holder in Argentine publicly traded companies after the elimination of the Argentine pension fund system resulted in a decrease in the trading of equity in the MERVAL; however, Argentine *fondos comunes de inversión* (mutual funds), insurance companies and other institutional investor continue sustaining trading in the MERVAL. For the year ended December 31, 2016, the MERVAL registered its highest share-trading volume in the last ten years, Ps. 1.33 billion.

The MERVAL is the largest Authorized Market in Argentina. Pursuant to Resolution No. 17,501, the CNV authorized the MERVAL to operate as an Authorized Market, and allowed MERVAL to delegate certain of its rights and duties as a market to the BASE, including without limitation, the right to authorize the listing of issuers and securities in the MERVAL, and the right to publish the daily market *gazette*.

Trading on the MERVAL is conducted either through the traditional auction system from 11:00 a.m. to 5:00 p.m. on trading days, or through the *Sistema Integrado de Negociación Asistida por Computación* (Computer-Assisted Integrated Negotiation System, or SINAC). SINAC is a computer trading system that permits trading in both debt and equity securities and is accessed by brokers directly from workstations located in their offices. Currently, all transactions relating to listed negotiable obligations and listed government securities can be effectuated through SINAC. In order to control price volatility, MERVAL imposes a 15-minute suspension on trading when the price of a security registers a variation in price between 10% and 15% and between 15% and 20%. Any additional 5% variation in the price of a security will result in additional 10-minute successive suspension periods.

Recently, the shareholders of MERVAL and the BASE entered into a framework agreement to create Bolsas y Mercados Argentinos S.A. for purposes of operating a stock market in accordance with the requirements of the newly enacted CML. The new company will be incorporated as a result of a spin-off of certain assets of MERVAL relating to its stock market business and shall be further capitalized by the BASE. Further, the MERVAL and the BASE entered into a memorandum of understanding with (i) Mercado de Valores de Córdoba S.A., to integrate the stock market of Córdoba into a federal stock market managed by Bolsas y Mercados Argentinos S.A., and (ii) several brokers of the city of Santa Fe, Province of Santa Fe, for them to act within such federal market. On December 29, 2016, the CNV authorized Bolsas y Mercados Argentinos S.A.

As of the date of this annual report, the MERVAL is still operating as an Authorized Market, and the BASE is in charge of the rights and duties that MERVAL delegated to it, as authorized by the CNV. This is expected to change when Bolsas y Mercados S.A. starts operating.

Regulation of the Argentine securities market

The Argentine securities market is regulated and overseen by the CNV, pursuant to the CML, as well as stockbroker transactions, market operations, the public offering of securities, corporate governance matters relating to public companies and the trading of futures and options. Argentine insurance companies are regulated by a government agency, the *Superintendencia de Seguros de la Nación*, whereas financial institutions are regulated primarily by the Central Bank.

In Argentina, debt and equity securities traded on an exchange or the over-the-counter market must, unless otherwise instructed by their shareholders, be deposited with Caja de Valores S.A. ("Caja de Valores"), a corporation owned by the BASE, MERVAL and certain provincial exchanges. Caja de Valores is the central securities depositary of Argentina and provides central depositary facilities, as well

as acting as a clearing house for securities trading and as a transfer and paying agent for securities transactions. Additionally, Caja de Valores handles the settlement of securities transactions carried out by the BASE and operates the computerized exchange information system mentioned above.

Despite a change in the legal framework of Argentine securities trading in the early 1990s, which permitted the issuance and trading of new financial products in the Argentine capital markets, including commercial paper, new types of corporate bonds and futures and options, and significant corporate governance regulations introduced in 2001 as further described below, there is still a relatively low level of regulation of the market for Argentine securities and investors' activities in such markets and enforcement of them has been extremely limited. Because of the limited exposure and regulation in these markets, there may be less publicly available information about Argentine companies than is regularly published by or about companies in the United States and certain other countries. However, the CNV has taken significant steps to strengthen disclosure and regulatory standards for the Argentine securities market, including the issuance of regulations prohibiting insider trading and requiring insiders to report on their ownership of securities, with associated penalties for noncompliance.

In order to improve Argentine securities market regulation, the Argentine government issued Decree No. 677/2001 on June 1, 2001, which provided certain guidelines and provisions relating to capital markets transparency and best practices. Decree No. 677/2001 applied to individuals and entities that participate in the public offering of securities, as well as to stock exchanges. Further improvements to Argentine securities market regulations were introduced in December 2011 when the Argentine Congress enacted changes to the Argentine Criminal Code to include insider trading as a criminal offense. Also, on November 29, 2012, the Argentine government enacted the CML which revoked law No. 17,811 and Decree No. 677/2001. However, CML incorporated most of the provisions established in those regulations. In this respect, the following key provisions of Decree No. 677/2001 have been incorporated into the CML, among others: the definition of the term "security"; corporate governance requirements, including the obligation for publicly-listed companies to have an audit committee composed of three or more members of the board of directors (the majority of which must be independent under CNV regulations); the regulation of market stabilization transactions under certain circumstances; regulation governing insider trading, market manipulation and securities fraud; and the regulation of going-private transaction and acquisitions of voting shares, including controlling stakes in public companies. In addition, the CML included relevant changes for the modernization and future design of the Argentine capital markets, such as granting regulatory powers and resources to the CNV, providing for a mandatory tender offer system and other provisions such as certain requirements for brokers/dealers and other market participants. These provisions were regulated by the CNV through Resolution No. 622/2013 and further modifications.

Before offering securities to the public in Argentina, an issuer must meet certain requirements established by the CNV with regard to the issuer's assets, operating history and management, among others, and only securities for which an application for a public offering has been approved by the CNV may be listed on a stock exchange. Despite these requirements imposed by the CNV, CNV approval does not imply any kind of certification as to the quality of the securities or the solvency of the issuer, although issuers of listed securities are required to file unaudited quarterly financial statements and audited annual financial statements and various other periodic reports with the CNV and the stock exchange on which their securities are listed, as well as to report to the CNV and the relevant stock exchange any event related to the issuer and its shareholders that may affect materially the value or trading volume of the securities traded.

Item 10. *Additional Information*

MEMORANDUM AND ARTICLES OF INCORPORATION

Set forth below is a brief summary of certain significant provisions of our by-laws and Argentine law. This description does not purport to be complete and is qualified by reference to our by-laws, which have been filed as an exhibit to this annual report. For a description of the provisions of our by-laws relating to our board of directors and statutory auditors, see "Item 6. Directors, Senior Management and Employees."

Description of Capital Stock

We are a public service company incorporated on July 21, 1992 as a *sociedad anónima*, a limited liability corporation, duly incorporated under the laws of Argentina for a 95−year period and registered on August 3, 1992 with the Public Registry of Commerce of the City of Buenos Aires under Nr. 7041 of Book 111, Volume A of *Sociedades Anónimas.*

As of the date of this annual report, our capital stock consists of Ps. 906,455,100, represented by 462,292,111 book-entry Class A common shares, with a par value of one Peso each and the right to one vote per share, 442,210,385 book-entry Class B common shares, with a par value of one Peso each and the right to one vote per share, and 1,952,604 book-entry Class C common shares, with a par value of one Peso each and the right to one vote per share. Under our by-laws, we are required to ensure, unless the ENRE approves otherwise, that Class A common shares represent 51% of our outstanding capital stock and that new Class A, Class B and Class C common shares are issued *pro rata* to the percentage of the outstanding capital stock represented by them prior to a capital increase, unless a general or special shareholder's meeting approves otherwise. All of our outstanding shares are currently fully paid.

Our shareholders authorized a capital increase of 83,161,020 common shares on June 7, 2006 composed of 42,412,120 Class A common shares, 32,432,797 Class B common shares and 8,316,102 Class C common shares. Our Class B common shares have been listed on the BASE since 1995 although they have never been traded effectively on that exchange or any other market. Holders of Class A common shares may convert any Class B common shares they may hold into Class A common shares, on a one−for−one basis, if such conversion would be required to maintain at all times 51% of our outstanding capital stock. Our Class A common shares have been pledged in favor of the Argentine government to secure our obligations under our concession and may not be transferred, not even to shareholders of the same class, without the prior approval of the ENRE.

Upon the closing of our IPO, substantially all our Class C common shares were converted into Class B common shares. The rights previously attributable to our Class C common shares were combined with those attributable to our Class B common shares, and holders of our remaining Class C common shares vote jointly as a single class with the holders of our Class B common shares in the election of directors.

Corporate Purpose

Article 4 of our by-laws establishes that our corporate purpose is to engage in the distribution and sale of electricity within our concession area. We can also acquire the capital stock of other electricity distribution companies, subject to regulatory approval, lease our network to provide power line communication or other voice, data and image transmission services, and render operating, advisory, training, maintenance, consultancy, management services and know-how related to the distribution of electricity both in Argentina and abroad. These activities may be conducted directly by us or through subsidiaries or affiliates. In addition, we may act as trustees of trusts created under Argentine law to the extent they are related to credit facilities granted to vendors and service providers acting in the distribution and sale of electricity who have guaranties granted by reciprocal guaranty companies owned by us.

Shareholders' Liability

Under Argentine corporate law, shareholder liability for a company's losses is limited to the value of the shareholder's shareholding in the company. However, shareholders who have a conflict of interest with the company with respect to certain matters and who do not abstain from voting on such matters may be held liable for damages to the company, provided that their votes were involved in the adoption of the relevant decision. In addition, shareholders who voted in favor of a resolution that is subsequently declared void by a court as contrary to Argentine law or the company's by-laws (or regulations, if any) may be held jointly and severally liable for damages to the company, other shareholders or third parties resulting from the resolution. See also "Item 3. Key Information—Risk factors—Risks related to our ADSs and common shares—Our shareholders may be subject to liability for certain votes of their securities."

Appraisal Rights

Whenever our shareholders approve:

- a merger or spin-off in which we are not the surviving corporation, unless the acquirer shares are authorized for public offering or listed on any stock exchange;
- a transformation of our corporate legal status;
- a fundamental change in our by-laws;
- a change in our domicile outside Argentina;
- a voluntary termination of the public offering or listing authorization;
- a decision in favor of our continuation upon delisting or cancellation of our public offering authorization; or
- a total or partial recapitalization following a mandatory reduction of our capital or liquidation.

Any shareholder that voted against such action or did not attend the relevant meeting may exercise appraisal rights, that is, the rights to withdraw as our shareholder and have its shares cancelled in exchange for the book value of its shares, determined on the basis of our latest Statement of Financial Position, or that should have been prepared, in accordance with Argentine laws and regulations, provided that such shareholder exercises its appraisal rights within the time frame set forth below.

Appraisal rights must be exercised within five days following the meeting at which the relevant resolution was adopted, in the event of a dissenting shareholder that voted against such resolution, or within 15 days following such meeting in the case of a dissenting shareholder that did not attend the meeting and who can prove that it was a shareholder at the date of the meeting. In the case of mergers or spin-offs involving an entity authorized to make public offering of its shares, appraisal rights may not be exercised if the shares to be received as a result of the transaction are listed in any stock exchange. Appraisal rights are terminated if the resolution giving rise to such rights is overturned at another shareholders' meeting held within 60 days as from the meeting at which the resolution was adopted.

Payment of appraisal rights must be made within one year of the date of the shareholders' meeting at which the resolution was adopted, except where the resolution was to delist our capital stock, in which case the payment period is reduced to 60 days from the date of the relevant resolution.

Because of the absence of legal precedents directly on point, there is doubt as to whether holders of ADSs would be able to exercise appraisal rights either directly or through the depositary with respect to our Class B common shares represented by ADSs.

Redemption or Repurchase

According to the Capital Markets Law, a "*sociedad anónima"* may acquire its own shares, provided that the public offering and listing thereof has been authorized, subject to the following terms and conditions and other regulations that may be issued by the CNV. The conditions are: (a) the shares to be acquired should be fully paid; (b) there shall be a resolution of the board of directors to such effect, (c) the acquisition shall be made out of net profits or voluntary reserves; (d) the total amount of shares acquired by the company, including previously acquired shares, shall not exceed 10% of the capital stock or such lower percentage determined by the CNV. The shares acquired in excess of such limit shall be disposed of within 90 days after the date of the acquisition originating the excess.

The shares acquired by the company shall be disposed of by the company within a maximum term of three years counted as from the date of the acquisition thereof. Upon disposition of the shares, the company shall make a preemptive rights offering of such shares. The offer is not mandatory if the shares are issued in connection with a compensation plan or program for the company's employees or if the shares are distributed among all shareholders in proportion to their shareholding. If shareholders do not exercise in whole or in part, their preemptive rights, the sale shall be made in a stock exchange.

In 2008, we acquired 9,412,500 Class B treasury shares with a nominal value of Ps. 1. The amount disbursed to acquire these shares totaled Ps. 6.1 million, which was deducted from unappropriated retained earnings of the equity attributable to the owners of the Company at that date. At the date of this annual report, these shares are held as "treasury stock". We are entitled to reissue these shares at a future date.

On November 18, 2014, we held the general annual meeting which resolved by majority of votes to extend for another three years the term for holding the treasury shares acquired within the scope of Section 68 of Law No. 17,811 (text consolidated by Decree No. 677/01). All the shares issued have been fully paid-in.

Preemptive and Accretion Rights

Under Argentine law, shareholders of any given class of common shares have preemptive rights, on a *pro rata* basis, to subscribe shares of the same class owned by them, and accretion rights, on a *pro rata* basis, to subscribe additional shares of its class or other classes of shares not subscribed by other shareholders of the same class. Preemptive rights and accretion rights may be waived only by each shareholder on a case-by-case basis. Pursuant to the Argentine Corporations Law, in exceptional cases and on a case by case basis when required for the best interest of the relevant company, its shareholders at an extraordinary meeting with a special majority may decide to limit or suspend preemptive rights, provided that the resolution is included in the meeting's agenda and the shares to be issued are paid in kind or are issued to cancel preexisting obligations.

In the event of a capital increase, our by-laws provide that holders of Class A, Class B and Class C common shares have preemptive rights, on a *pro rata* basis, to subscribe new Class A, Class B or Class C common shares, as the case may be, in order to maintain their *pro rata* interest in our capital stock, unless otherwise decided at our general or extraordinary shareholders' meeting. The holders of our Class A common shares, in any capital increase, must exercise their preemptive rights to maintain at least 51% of our capital stock outstanding after giving effect to the capital increase, unless otherwise authorized by the ENRE or to the extent any other legal mechanism is used to secure the 51% ownership of our capital stock. In order for the participant employees of the PPP to participate in such an offering, all of our Class C common shares (including shares of PPP participants who will not participate in such an offering) shall be converted into Class B common shares.

Pursuant to Argentine law, if approved by an extraordinary shareholders' meeting, companies authorized to make a public offering of their securities may shorten the period during which preemptive rights may be exercised from 30 to 10 days following the publication of the offering in the Argentine Official Gazette and a newspaper of wide circulation in Argentina. Preemptive rights are exercisable following such publication (which must be made for three days) for a period of 30 days, provided the period is not reduced in the manner described above.

Shareholders who have exercised their preemptive rights have the right to exercise accretion rights, on a *pro rata* basis, with respect to any unsubscribed shares. Shares not subscribed by shareholders by virtue of preemptive or accretion rights may be offered to third parties. EASA and certain of our selling shareholders have assigned their preemptive and accretion rights to the international underwriters. Holders of ADSs may be restricted in their ability to exercise preemptive rights if a prospectus under the Securities Act relating thereto has not been filed or is not effective or an exemption is not available.

Voting Rights

Under our by-laws, each class of common shares entitles its holder to one vote per share at any meeting of our shareholders. Under Argentine corporations' law, a shareholder is required to abstain from voting any resolution in which his direct or indirect interest conflicts with that of, or is different from, the company. In the event that such shareholder votes on such resolution, and such resolution would not have been approved without such shareholder's vote, the resolution may be declared void by a court and such shareholder may be held liable for damages to the company, other shareholders and third parties.

Registration Requirements of Foreign Companies Holding Class B Shares

Under Argentine regulations, foreign companies that hold shares directly (and not indirectly through ADSs) in an Argentine company must register with the *Inspección General de Justicia* (the City of Buenos Aires Public Registry of Commerce) to exercise certain shareholder rights, including voting rights. The registration requires the filing of certain corporate and accounting documents in order to demonstrate that the foreign shareholder is not a special purpose vehicle organized solely to conduct business in Argentina that it is entitled to conduct business in its place of incorporation and meets certain foreign assets requirements.

Liquidation Rights

In case of liquidation or dissolution, our assets will be applied to satisfy our outstanding liabilities and then be proportionally distributed among holders of our common stock without distinction of classes.

Ordinary and Extraordinary Shareholders' Meetings

Shareholders' meetings may be either ordinary meetings or extraordinary. We are required to convene and hold an ordinary meeting of shareholders within four months of the close of each fiscal year to consider the matters specified in the first two paragraphs of Section 234 of the Argentine Corporations Law, such as the approval of our financial statements, allocation of net income for such fiscal year, approval of the reports of the board of directors and the statutory audit committee and election, performance and remuneration of directors and members of the statutory audit committee. In addition, pursuant to the Capital Markets Law, at an ordinary shareholders' meetings, our shareholders must consider (i) the disposition of, or creation of any lien over, our assets as long as such decision has not been performed under the ordinary course of our business and (ii) the execution of administration or management agreements and whether to approve any agreement by virtue of which the assets or services provided to us are paid partially or totally with a percentage of our income, results or earnings, if the payment is material when measured against the volume of the ordinary course of business and our shareholders' equity. Other matters which may be considered at an ordinary meeting convened and held at any time include the responsibility of directors and members of the statutory audit committee, capital increases and the issuance of certain corporate bonds. Extraordinary shareholders' meetings may be called at any time to consider matters beyond the authority of an ordinary meeting including, without limitations, the amendment of our by-laws, issuance of debentures, early dissolution, merger, spin off, reduction of capital stock and redemption of shares, transformation from one type of entity to another, appointment, removal and retribution of the liquidators and limitation or suspension of shareholders' preemptive rights.

Special Shareholders Meetings of Classes of Shares

In the event a shareholder's meeting is held to adopt any resolution affecting the rights of a class of shares, the consent or ratification of shareholders of that class is required and a special shareholder's meeting shall be held. The special shareholder's meetings shall be governed by the rules provided for the ordinary shareholder's meetings.

Notices of Meetings

Notices of shareholders' meetings are governed by the provisions of Argentine Corporations Law. Furthermore, notice of shareholders' meetings must be published for five days in the Official Gazette, in an Argentine newspaper of wide circulation and in the bulletin of the BASE, at least 20 but not more than 45 days prior to the date on which the meeting is to be held. Such notice must include information regarding the type of meeting to be held, the date, time and place of such meeting and the agenda. If quorum is not available at such meeting, a notice for a second meeting, which must be held within 30 days of the date on which the first meeting was called, must be published for three days, at least eight days before the date of the second meeting. The above−described notices of shareholders' meetings may be held simultaneously for the second meeting to be held on the same day as the first meeting, only in the case of ordinary meetings and special shareholder's meetings of a relevant class of shares. Shareholders' meetings may be validly held without notice if all shares of our outstanding capital stock are present and resolutions are adopted by unanimous vote of shares entitled to vote.

Quorum and Voting Requirements

The quorum for ordinary meetings of shareholders on first call is a majority of the shares entitled to vote, and action may be taken by the affirmative vote of an absolute majority of the shares present that are entitled to vote on such action. If a quorum is not available at the first meeting a second meeting may be held at which action may be taken by the holders of an absolute majority of the shares present, regardless of the number of such shares. The quorum for an extraordinary shareholders' meeting on first call is 70% of the shares entitled to vote, and if such quorum is not available, a second meeting may be held, for which the quorum is 35% of the shares entitled to vote.

Action may be taken at extraordinary shareholders' meetings by the affirmative vote of an absolute majority of shares present that are entitled to vote on such action, except that: the approval of a majority of shares with voting rights (for these purposes non−voting preferred shares shall have voting rights), without application of multiple votes, is required at both the first and second meeting for: (i) the transfer of our domicile outside Argentina, (ii) a fundamental change of the corporate purpose set forth in our bylaws, (iii) our anticipated dissolution, (iv) the total or partial redemption of shares, or (v) the transformation of our corporate legal status, in which cases resolutions shall be adopted by the affirmative vote of the majority of shares with the right to vote. Preferred shares will be entitled to one vote in these circumstances. Moreover, pursuant to our by-laws, the extension of the company's duration, the withdrawal from public offering or delisting, the total or partial recapitalization, the merger or spin-off (including if we are the surviving entity) or the termination of the concession agreement for the distribution and sale of electricity, on first and second calls, shall be taken by the affirmative vote of shares representing at least 80% of the outstanding shares entitled to vote, whether present or not at the shareholder's meeting, without application of multiple votes, if applicable. An amendment to our by-laws requires the prior approval of the ENRE. Shareholder's meetings shall approve amendments "ad-referendum" of the ENRE.

Shareholders' meetings may be called by the board of directors or the members of the statutory audit committee whenever required by law or whenever they deem it necessary. Also, the board or the members of the statutory audit committee are required to call shareholders' meetings upon the request of shareholders representing an aggregate of at least five percent of our outstanding capital stock in which case the meeting must take place within 40 days of such shareholders' request. If the board or the statutory audit committee fails to call a meeting following such a request, a meeting may be ordered by the CNV or by the courts. In order to attend a meeting, a shareholder must also deposit with us a certificate of book-entry shares registered in its name and issued by *Caja de Valores S.A.* at least three business days prior to the date on which the meeting is to be held. If so entitled to attend a meeting, a shareholder may be represented by proxy. Proxies may not be granted to our board, members of the statutory audit committee, officers or employees.

Election of Directors

Our board of directors must have 12 acting directors and the number of alternate directors that the shareholders may resolve in a general annual ordinary meeting or at a class annual ordinary meeting, such number not to exceed the number of acting directors. All directors are elected to serve for one fiscal year. Holders of Class A common shares are entitled to elect, at a general annual ordinary meeting or at an annual ordinary meeting of Class A holders 7 directors, two of which must be independent in accordance with CNV regulations and our by-laws. Holders of Class B common shares are entitled to elect, at a general annual ordinary meeting or at an annual ordinary meeting of Class B holders, 4 directors one of which must also be independent in accordance with CNV regulations and our by-laws. Holders of Class C common shares are entitled to elect, at a general annual ordinary meeting or at an annual ordinary meeting of Class C holders 1 director until the percentage of our capital stock represented by Class C common shares decreases below 6% at which moment holders of Class C common shares will be required to vote together with holders of Class B common shares to elect, as a common class, 5 directors. Upon the closing of the Argentine offering (to the extent consummated), substantially all Class C common shares will have been converted into Class B common shares and a nominal amount of Class C common shares will remain outstanding. Accordingly, any rights previously attributable to the Class C common shares will have been combined with those attributable to the Class B common shares, and holders of the remaining Class C common shares will vote jointly as a single class with the holders of Class B common shares in the election of directors.

Form and Transfer

Our current capital stock is represented by book-entry shares. Our shareholders are required to hold their shares through book-entries directly made by *Caja de Valores* in the stock registry of the company carried by *Caja de Valores* or through book-entries with brokers, banks and other entities approved by the CNV that have accounts with *Caja de Valores*, or with the participants of the *Caja de Valores*. *Caja de Valores* is in charge of maintaining a stock registry on our behalf based on information received from shareholders that chose to hold their shares directly by registration on the stock registry of the company and from participants of the *Caja de Valores*, and in accordance with Argentine law only those holders listed in the stock registry either directly or through participants of the *Caja de Valores* will be recognized as shareholders. Shares held by participants of the *Caja de Valores* -have the same rights as shares recorded in our shareholders' register.

MATERIAL CONTRACTS

We are party to various contracts in the ordinary course of business. For a discussion of the agreements relating to (i) our acquisition of Emdersa and Aeseba and (ii) the divestiture of Aeseba and the subsidiaries of Emdersa, see "Item 4. Information on the Company—History and Development of the Company."

EXCHANGE CONTROLS

In January 2002, the Argentine Congress issued the Public Emergency Law and declared a state of public emergency in respect of its social, economic, administrative, financial and foreign exchange matters, authorizing the Argentine government to establish a system to determine the foreign exchange rate between the Peso and foreign currencies and to issue foreign exchange-related rules and regulations. On February 8, 2002, through Decree No. 260/2002, the Argentine government established (i) the MULC through which all foreign exchange transactions in foreign currency must be conducted, and (ii) that foreign exchange transactions in foreign currency must be conducted at the foreign exchange rate to be freely agreed upon among contracting parties, subject to the requirements and regulations imposed by the Central Bank. A summary of the main regulations is set forth below.

On June 9, 2005, through Decree No. 616/2005, the Argentine government mandated that (i) all inflows of funds into the local foreign exchange market arising from foreign debts incurred by residents (including both individuals and legal entities in the Argentine private sector), other than those concerning foreign trade financing and primary issuances of debt securities offered to the public and listed on self-regulated markets, and (ii) all inflows of funds by non-residents channeled through the MULC and intended to be held in local currency for acquiring all types of financial assets or liabilities in the financial or non-financial private sector (except for foreign direct investments and primary issuances of debt securities and shares offered to the public and listed on self-regulated markets), as well as investments in securities issued by the public sector and acquired in secondary markets, had to meet the following requirements: (a) such inflows of funds could only be transferred outside the local foreign exchange market at the expiration of a term of 365 calendar days from the date of settlement of such funds into Pesos; (b) the proceeds of such inflows of funds had to be credited to an account in the local banking system; (c) a non-transferable and non-interest-bearing deposit for 30% of the amount of the transaction had to be kept in Argentina for a period of 365 calendar days, in accordance with the terms and conditions set forth in the applicable regulations (the "Deposit"); and (d) the Deposit had to be denominated in U.S. Dollars and held in Argentine financial institutions, and it may not be used to guarantee or serve as collateral for any type of credit transactions. The requirements of Decree No. 616/2005 were subsequently eased.

On December 16, 2015, following the election of President Macri, the newly appointed Central Bank authorities issued Communication "A" 5,850, which lifted many of the existing restrictions and, among other things, established free access to the MULC to purchase foreign currency for general purposes without requiring the Central Bank's or the AFIP's prior authorization and eliminated the requirement of the mandatory deposit of 30% of certain funds remitted to Argentina.

Although these recent changes to the Argentine government's foreign exchange policies allow all individuals free access to the local foreign exchange market, certain restrictions remain, including the following:

- any proceeds from the sale of foreign currency in the local exchange market that exceeds the equivalent of U.S.$2,500 per month must be credited to a checking or savings account in Pesos at a domestic financial institution; and

- although the requirement of mandatory inflow and settlement of funds resulting from foreign indebtedness transactions is no longer in effect, the transfer and sale of funds in the local foreign exchange market will be necessary to make any payments of principal or interest through the local foreign exchange market.

The Argentine government may, in the future, impose additional controls on the foreign exchange market and on capital flows from and into Argentina, in response to capital flight or depreciation of the Peso. These restrictions may have a negative effect on the Argentine economy and our business if imposed in an economic environment where access to local capital is limited.

Money Laundering

On April 13, 2000, the Argentine Congress passed Law No. 25,246, as amended by Laws No. 26,087, 26,119, 26,268 and 26,683 (the "Money Laundering Law"), which establishes an administrative criminal system and supersedes various sections of the Argentine Penal Code relating to money laundering. The Money Laundering Law defines money laundering as a crime, stating that a crime is committed whenever a person converts, transfers, manages, sells, encumbers, or otherwise uses money, or any other assets, connected with a crime in which that person has not participated, with the possible result that the original or substituted assets may appear to be of a legitimate origin, provided the amount of money or value of the relevant assets exceeds Ps. 300,000, whether such amount results from one or more transactions.

In addition, the Money Laundering Law created the Financial Information Unit, which is in charge of the handling and transmission of information in order to prevent the laundering of assets originating from:

- Crimes related to illegal trafficking and commercialization of narcotics (Law No. 23,737);

- Crimes related to arms trafficking (Law No. 22,415);

- Crimes related to the activities of an illegal association as defined in Article 210 bis of the – Argentine Penal Code;

- Illegal acts committed by illegal associations (Article 210 of the Argentine Penal Code) organized to commit crimes with political or racial objectives;

- Crimes of fraud against the Public Administration (Article 174, Section 5 of the Argentine Penal Code);

- Crimes against the Public Administration under Chapters VI, VII, IX and IX bis of Title XI of Book Two of the Argentine Penal Code;

- Crimes of underage prostitution and child pornography under Articles 125, 125 bis, 127 bis and 128 of the Argentine Penal Code; and

- Crimes related to terrorism financing (Article 213 *quarter* of the Penal Code).

Argentina's Money Laundering Law, like other international money laundering laws, does not designate sole responsibility to the Argentine government for the monitoring of these criminal activities, but rather also delegates certain obligations to various private sector entities (including us) such as banks, stockbrokers, stock market entities and insurance companies. These obligations essentially consist of information gathering functions, such as:

- obtaining from clients documents that indisputably prove the identity, legal status, domicile and other information, to accomplish any type of intended activity;

- reporting any suspicious activity or operation; and

- keeping any monitoring activities in connection with a proceeding pursuant to the Money Laundering Law confidential from both clients and third parties.

In addition, Central Bank regulations require that Argentine banks undertake certain minimum procedures to prevent money laundering. CNV regulations also require that the issuers and traders of publicly traded securities in Argentina and those persons participating in financial trusts and common investment funds subject to the CNV's control comply with certain obligations and requirements relating to money laundering prevention and to the suppression of the financing of terrorism.

Financial entities must inform the *Unidad de Información Financiera* ("UIF") about any suspicious or unusual transaction, or transactions lacking economical or legal justification, or being unnecessarily complex. The Central Bank publishes a list of "non-cooperating" jurisdictions. The UIF has regulated the duty to report through Resolution No. 229/2011. In addition, it has established guidelines and internal procedures for unusual or suspicious transactions which must be implemented by financial institutions and other entities.

CNV regulations provide that entities involved in the public offering of securities (other than issuers), including, among others, underwriters of any primary issuance of securities, must comply with the standards set by the UIF. In particular, they must comply with the obligation regarding customer identification and required information, record-keeping, precautions to be taken to report suspicious operations, policies and procedures to prevent money laundering and terrorism financing. With respect to issuers (such as us), CNV regulations provide that any entity performing significant capital contributions or loans must be identified, whether or not a shareholder at the time of the contributions, and must meet the requirements for general participants in the public offering of securities, provided in the CNV regulations and the UIF regulations, especially with regards to the identification of such persons and to the origin and legality of the funds and loans provided.

On June 1, 2011 the Argentine Congress adopted law No. 26,683. Pursuant to such law, money laundering is now an autonomous crime and self-money laundering is also punished. The law also extended the reporting obligations to certain private sector parties which were not obliged before, and also extended from 30 to 150 days the lapse of time within which certain private entities are required to report suspicious activities or operations, in order to permit those entities to analyze transactions and operations in more detail before reporting them to the relevant authorities.

TAXATION

The following summary contains a description of the principal Argentine and U.S. federal income tax consequences of the acquisition, ownership and disposition of common shares or ADSs, but it does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase common shares or ADSs. The summary is based upon the tax laws of Argentina and regulations thereunder and on the tax laws of the United States and regulations thereunder as in effect on the date hereof, which are subject to change. Investors should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of common shares or ADSs.

Although there is at present no income tax treaty between Argentina and the United States, the tax authorities of the two countries have had discussions that may culminate in such a treaty. No assurance can be given, however, as to whether or when a treaty will enter into force or how it will affect the U.S. holders of common shares or ADSs.

Argentine Tax Considerations

The following discussion is a summary of the material Argentine tax considerations relating to the purchase, ownership and disposition of our Class B common shares or ADSs.

Dividends Tax

Dividends paid on our class B common shares or ADSs to individuals or undivided estates domiciled in Argentina and non-resident persons (whether individuals or legal entities) are subject to income tax at a 10% rate as a single and final payment (except for dividends paid out in the form of shares or quotas); additionally, such dividends paid in excess of our taxable accumulated income at the

previous fiscal period are subject to withholding at the rate of 35% in respect of the excess portion of the dividends paid. If applicable, the 10% withholding will apply on the amount resulting from subtracting the 35% withholding from the dividends or earnings distribution amount. Both the 10% and the 35% withholdings are subject to the limits set forth by Double Taxation Treaties in force.

Class B Capital Gains Tax

Resident individuals.

The Income Tax Reform introduced by Act No. 26,893 provided for the taxability of resident individuals' income resulting from the disposition of shares not listed on stock exchanges or securities markets as authorized by the CNV, irrespective of the frequency or regularity of such operations. This income is subject in all cases to the 15% tax rate.

Foreign beneficiaries.

Pursuant to the previously mentioned Income Tax Reform, all income resulting from the purchase and sale, exchange or other disposition of shares earned by foreign beneficiaries will be subject to the income tax, whether or not they are listed on stock exchanges or securities markets and/or have an authorization for public offering, or if they do not meet such requirements. A 13.5% effective income tax withholding rate will apply to foreign individual and legal entities.

Local entities.

Capital gains obtained by Argentine entities in general, entities organized or incorporated under Argentine law, certain traders and intermediaries, local branches of non Argentine entities, sole proprietorships and individuals carrying on certain commercial activities in Argentina derived from the sale, exchange or other disposition of our class B common shares or ADSs are subject to income tax at the rate of 35%. Losses arising from the sale of our class B common shares or ADSs can be applied to offset such income.

Personal Assets Tax

Argentine entities, such as us, have to pay the personal assets tax corresponding to Argentine and foreign individuals and foreign entities for the holding of our shares at December 31 of each year. The applicable tax rate is 0.5% and is levied on the equity value, or the book value, of the shares arising from the last balance sheet. Pursuant to the Personal Assets Tax Law, the Argentine company is entitled to seek reimbursement of such paid tax from the applicable Argentine individuals and/or foreign shareholders or by withholding dividend payments.

Value Added Tax

The sale, exchange or other disposition of our Class B common shares or ADSs and the distribution of dividends are exempted from the value added tax.

Transfer Taxes

The sale, exchange or other disposition of our Class B common shares or ADSs is not subject to transfer taxes.

Stamp Taxes

Stamp taxes may apply in the City of Buenos Aires and in certain Argentine provinces in case transfer of our Class B common shares or ADSs is performed or executed in such jurisdictions by means of written agreements. Transfer of our Class B common shares is exempted from stamp tax in the City of Buenos Aires.

Tax on credits and debits on bank accounts

Money amounts paid through bank checking accounts in Argentine banks are subject to a 0.6% tax levied on credits, and a 0.6% tax levied on debits. In certain cases, an increased rate of 1.2% and a

reduced rate of 0.075% may apply. Any payments deposited in saving accounts are exempt, in principle, from this tax. The tax is withheld by the banking institution.

The movement of funds in some special checking accounts is exempt from this tax (Central Bank Communication "A" 3250), when such accounts have been created in the name of foreign legal entities, and to such an extent they are solely used to make financial investments in Argentina (see Section 10, paragraph (s), of the annex to Executive Decree No. 380/2001).

The owners of bank accounts on which the tax is levied at 0.6% and 1.2% rates may compute 34% and 17%, respectively, of the amounts paid under this tax on amounts credited to their accounts as a payment on account of income tax, presumed minimum income tax and/or the special contribution or cooperative capital.

Other Taxes

There are no Argentine inheritance or succession taxes applicable to the ownership, transfer or disposition of our Class B common shares or ADSs. In addition, neither the minimum presumed income tax nor any local gross turnover tax is applicable to the ownership, transfer or disposition of our Class B common shares or ADSs.

Tax Treaties

Argentina has signed tax treaties for the avoidance of double taxation with Australia, Belgium, Bolivia, Brazil, Canada, Chile, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Russia, Sweden and Switzerland. There is currently no tax treaty or convention in effect between Argentina and the United States. It is not clear when, if ever, a treaty will be ratified or entered into effect. As a result, the Argentine tax consequences described in this section will apply, without modification, to a holder of our Class B common shares or ADSs that is a U.S. resident. Foreign shareholders located in certain jurisdictions with a tax treaty in force with Argentina may be exempted from the payment of the personal asset tax.

United States Federal Income Tax Considerations

This summary describes certain U.S. federal income tax consequences for a U.S. holder (as defined below) of acquiring, owning, and disposing of ADSs. This summary applies to a holder only if such holder holds the ADSs as capital assets for tax purposes. This summary does not address the Medicare tax on net investment income and does not apply to investors that are members of a class of holders subject to special rules, such as:

- a dealer in securities or currencies;
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings;
- a bank;
- a life insurance company;
- a tax-exempt organization;
- an entity treated as a partnership for U.S. federal income tax purposes, or a partner therein;
- a person that holds ADSs that are a hedge or that are hedged against interest rate or currency risks;
- a person that holds ADSs as part of a straddle or conversion transaction for tax purposes;
- a person who is liable for the alternative minimum tax;
- a person whose functional currency for U.S. tax purposes is not the U.S. Dollar; or

- a person that owns or is deemed to own 10% or more of any class of our stock.

This summary is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations promulgated thereunder, published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis. Investors should consult their own tax advisors concerning the consequences of purchasing, owning, and disposing of ADSs in their particular circumstances, including the possible application of state, local, non-U.S. or other tax laws. For purposes of this summary, an investor is a "U.S. holder" if such investor is a beneficial owner of an ADS and is:

- a citizen or resident of the United States;
- a U.S. domestic corporation; or
- otherwise subject to U.S. federal income tax on a net income basis with respect to income from the ADS.

In general, if an investor is the beneficial owner of ADSs, such investor will be treated as the beneficial owner of the common stock represented by those ADSs for U.S. federal income tax purposes, and no gain or loss will be recognized if such investor exchanges an ADS for the common stock represented by that ADS.

Dividends

The gross amount of distributions that investors receive (prior to deduction of Argentine taxes) generally will be subject to U.S. federal income taxation as foreign source dividend income, to the extent paid out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Dividends paid in Argentine Pesos will be included in an investor's income in a U.S. Dollar amount calculated by reference to the exchange rate in effect on the date of the depositary's receipt of the dividend, regardless of whether the payment is in fact converted into U.S. Dollars. A U.S. holder will have a tax basis in such Pesos for U.S. federal income tax purposes equal to the U.S. Dollar value on the date of such receipt. Any subsequent gain or loss in respect of such Pesos arising from exchange rate fluctuations will be ordinary income or loss and will be treated as income from U.S. sources for foreign tax credit purposes. If such a dividend is converted into U.S. Dollars on the date of receipt, investors generally should not be required to recognize foreign currency gain or loss in respect of the dividend income. Subject to certain exceptions for short-term (60 days or less) positions, the U.S. Dollar amount of dividends received by an individual U.S. holder in respect of ADSs generally will be subject to taxation at a maximum rate of 20% if the dividends are "qualified dividends." Dividends paid on the ADSs will be treated as qualified dividends if (i) the ADSs are readily tradable on an established securities market in the United States and (ii) we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign investment company (a "PFIC"). The ADSs are listed on the New York Stock Exchange and will qualify as readily tradable on an established securities market in the United States so long as they are so listed. Based on our audited financial statements and relevant market and shareholder data, we believe that we were not treated as a PFIC for U.S. federal income tax purposes with respect to our 2016 taxable year. In addition, based on our current expectations regarding the value and nature of our assets, the sources and nature of our income, and relevant market and shareholder data, we do not anticipate becoming a PFIC for our 2017 taxable year.

Because the common shares are not themselves listed on a U.S. exchange, dividends received with respect to the common shares may not be treated as qualified dividends. U.S. holders of ADSs should consult their own tax advisors regarding the availability of the reduced dividend tax rate in the light of their own particular circumstances.

Distributions of additional shares in respect of ADSs that are made as part of a pro-rata distribution to all of our shareholders generally will not be subject to U.S. federal income tax.

Sale or Other Disposition

Upon a sale or other disposition of ADSs, an investor will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the U.S. Dollar value of the amount realized and such investor's tax basis, determined in U.S. Dollars, in the ADSs. Generally, such gain or

loss realized on the sale or other disposition of ADSs will be treated as U.S. source capital gain or loss, and will be long-term capital gain or loss if the ADSs were held for more than one year. The ability to offset capital losses against ordinary income is limited. Long-term capital gain recognized by an individual U.S. holder generally is subject to taxation at a reduced rate.

Foreign Tax Credit Considerations

Investors should consult their own tax advisors to determine whether they are subject to any special rules that limit their ability to make effective use of foreign tax credits. If no such rules apply, investors may claim a credit against their U.S. federal income tax liability for Argentine taxes withheld from cash dividends on the ADSs, so long as they have owned the ADSs (and not entered into specified kinds of hedging transactions) for at least a 16-day period that includes the ex-dividend date. It is unclear whether the Argentine personal assets tax (as described in " - Argentine Tax Considerations") is treated as an income tax for U.S. federal income tax purposes. If the Argentine personal assets tax is not treated as an income tax for U.S. federal income tax purposes, a U.S. holder would be unable to claim a foreign tax credit for any Argentine personal assets tax withheld. A U.S. holder may be able to deduct such tax in computing its U.S. federal income tax liability, subject to applicable limitations. The calculation of foreign tax credits and, in the case of a U.S. holder that elects to deduct foreign taxes, the availability of deductions, involve the application of complex rules that depend on a U.S. holder's particular circumstances. Investors should consult their own tax advisors regarding the creditability or deductibility of such taxes.

U.S. Information Reporting and Backup Withholding Rules

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries are subject to information reporting unless the holder is an exempt recipient and may also be subject to backup withholding unless the holder (1) provides its taxpayer identification number and certifies that it is not subject to backup withholding or (2) otherwise establishes an exemption from backup withholding. Investors may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim or refund with the Internal Revenue Service and filing any required information.

Specified Foreign Financial Assets

Certain U.S. holders that own "specified foreign financial assets" with an aggregate value in excess of USD 50,000 are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. "Specified foreign financial assets" include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. U.S. holders who fail to report the required information could be subject to substantial penalties. In addition, the statute of limitations for assessment of tax would be suspended, in whole or part. Investors should consult their own tax advisors concerning the application of these rules to their particular circumstances.

DESCRIPTION OF AMERICAN DEPOSITARY SHARES

American Depositary Receipts

The Bank of New York is the depositary for the American Depositary Shares, also referred to as ADSs. Each ADS represents 20 Class B common shares (or a right to receive 20 Class B common shares) deposited with the principal Buenos Aires office of Banco Río de la Plata S.A., as custodian for the depositary in Argentina. Each ADS will also represent any other securities, cash or other property which may be held by the depositary. The depositary's office at which the ADRs are administered is located at 101 Barclay Street, 22W, New York, NY 10280.

The depositary is required to keep books at its corporate trust office for the registration of ADSs and transfers of ADSs which at all reasonable times shall be open for inspection by the holders of ADSs, provided that such inspection shall not be for the purpose of communicating with holders in the interest of

a business or object other than the business of Edenor or a matter related to the deposit agreement or the receipts.

Investors hold ADSs directly either by having an American Depositary Receipt, also referred to as an ADR, which is a certificate evidencing a specific number of ADSs, registered in the investor's name, or by having ADSs registered in the investor's name in the Direct Registration System. Investors also hold ADSs indirectly by holding a security entitlement in ADSs through the investor's broker or other financial institution. If investors hold ADSs directly, they are ADS registered holders. This description assumes that such investors are ADS registered holders. If investors hold the ADSs indirectly, the investors must rely on the procedures of their broker or other financial institution to assert their rights as ADS registered holders described in this section. Investors should consult with their broker or financial institution to learn what those procedures are.

The Direct Registration System, or DRS, is a system administered by The Depository Trust Company, also referred to as DTC, pursuant to which the depositary may register the ownership of uncertificated ADSs, which ownership shall be evidenced by periodic statements sent by the depositary to the registered holders of uncertificated ADSs.

We do not treat ADS holders as one of our shareholders and ADS holders do not have shareholder rights. Argentine law governs shareholder rights. The depositary is the holder of the common shares underlying the ADSs. Holders of ADSs have ADS holder rights. A deposit agreement among us, the depositary, the ADS holder, and the beneficial owners of ADSs sets out ADS holder rights as well as the rights and obligations of the depositary. New York law governs the deposit agreement and the ADSs.

The following is a summary of the material provisions of the deposit agreement. For more complete information, investors should read the entire deposit agreement and the form of ADR.

Dividends and Other Distributions

How will investors receive dividends and other distributions on the shares?

The depositary has agreed to pay to ADS holders the cash dividends or other distributions it or the custodian receives on common shares or other deposited securities, after deducting its fees and expenses described below. ADS holders will receive these distributions in proportion to the number of common shares your ADSs represent.

Cash

The depositary will convert any cash dividend or other cash distribution we pay on the common shares 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 that 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 ADR holders to whom it is possible to do so. It may hold the foreign currency it cannot convert for the account of the ADR holders who have not been paid. It will not invest the foreign currency and it will not be liable for any interest.

Before making a distribution, the depositary will deduct any withholding taxes that must be paid. See "Taxation". It will distribute only whole U.S. Dollars and cents and will round fractional cents to the nearest whole cent. If the exchange rates fluctuate during a time when the depositary cannot convert the foreign currency, holders of ADSs may lose some or all of the value of the distribution.

Shares

The depositary may distribute additional ADSs representing any common shares we distribute as a dividend or free distribution. The depositary will only distribute whole ADSs. It will try to sell common shares, in lieu of delivering fractional ADS and distribute the net proceeds in the same way as it does with cash. The depositary may also sell a portion of the distributed common shares to pay its fees and expenses in connection with the distribution. If the depositary does not distribute additional ADSs, the outstanding ADSs will also represent the new common shares.

Rights to Purchase Additional Common Shares

If we offer holders of our securities any rights to subscribe for additional common shares or any other rights, the depositary may make these rights available to holders of ADSs. If the depositary decides it is not legal and practical to make the rights available but that it is practical to sell the rights, the depositary will use reasonable efforts to sell the rights and distribute the proceeds in the same way as it does with cash. The depositary will allow rights that are not distributed or sold to lapse. In that case, holders of ADSs will receive no value for them.

If the depositary makes rights to purchase common shares available to holders of ADSs, it will exercise the rights and purchase the common shares on their behalf. The depositary will then deposit the shares and deliver ADSs to the investor. It will only exercise rights if the investor pays it the exercise price and any other charges the rights require the investor to pay.

U.S. securities laws may restrict transfers and cancellation of the ADSs representing common shares purchased upon exercise of rights. For example, you may not be able to trade these ADSs freely in the United States. In this case, the depositary may deliver restricted depositary shares that have the same terms as the ADSs described in this section except for changes needed to put the necessary restrictions in place.

Other Distributions

The depositary will send to holders of ADSs anything else we distribute on deposited securities by any means it thinks is legal, fair and practical. If it cannot make the distribution in that way, the depositary has a choice. It may decide to sell what we distributed and distribute the net proceeds, in the same way as it does with cash. Or, it may decide to hold what we distributed, in which case ADSs will also represent the newly distributed property. However, the depositary is not required to distribute any securities (other than ADSs) to holders of ADSs unless it receives satisfactory evidence from us that it is legal to make that distribution. The depositary may sell a portion of the distributed property to pay its fees and expenses in connection with the distribution.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADR holders. We have no obligation to register ADSs, common shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of ADSs, common shares, rights or anything else to ADS holders. This means that holders of ADSs may not receive the distributions we make on our common shares or any value for them if it is illegal or impractical for us to make them available to holders of ADSs.

Deposit, Withdrawal and Cancellation

How are ADSs issued?

The depositary will deliver ADSs if the investor or the investor's broker deposits common shares or evidence of rights to receive common shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will register the appropriate number of ADSs in the names the investor requests.

How do ADS holders cancel ADSs and obtain shares?

If an investor surrenders ADSs to the depositary, upon payment of the investor's fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will deliver the common shares and any other deposited securities underlying the surrendered ADSs to the investor or a person the investor designates at the office of the custodian. Or, at the investor's request, risk and expense, the depositary will deliver the deposited securities at its office, if feasible.

How do ADS holders interchange between certified ADSs and uncertified ADSs?

Investors may surrender their ADRs to the depositary for the purpose of exchanging their ADR for uncertificated ADSs. The depositary will cancel that ADR and will send to the ADS registered holder a statement confirming that the ADS registered holder is the registered holder of uncertificated ADSs. Alternatively, upon receipt by the depositary of a proper instruction from a registered holder of

uncertificated ADSs requesting the exchange of uncertificated ADSs for certificated ADSs, the depositary will execute and deliver to the ADS registered holder an ADR evidencing those ADSs.

Voting Rights

How do holders ADSs vote?

Holders of ADSs may instruct the depositary to vote the number of common shares their ADSs represent. If we ask for the instructions of the holders of the ADSs, the depositary will notify the holders of the ADSs of shareholders' meetings and the upcoming vote and arrange to deliver our voting materials to the holder of the ADSs. Those materials will describe the matters to be voted on and explain how holders of ADSs may instruct the depositary to vote the shares or other deposited securities underlying their ADSs as the holder of the ADSs directs by a specified date. For instructions to be valid, the depositary must receive them on or before the date specified.

The depositary will try, as far as practical, subject to Argentine law and the provisions of our by-laws or similar documents, to vote or to have its agents vote the number of common shares or other deposited securities represented by the ADSs as the holder of the ADSs instructs. Otherwise, the holder of the ADSs will not be able to exercise their right to vote unless they withdraw the shares underlying their ADSs. In the absence of the instruction of the holder of the ADSs, our company may request the depositary to vote as we instruct at the corresponding meeting. The holder of the ADSs may otherwise not know about the meeting far enough in advance to withdraw the shares. We will use our best efforts to request that the depositary notify holders of ADSs of upcoming votes and ask for the instructions of holders of ADSs.

If we timely ask the depositary to solicit the instructions of holders of ADSs and the depositary does not receive voting instructions from the holder of the ADSs by the specified date, the depositary will consider the holder of the ADSs to have authorized and directed it to vote the number of deposited securities represented by their ADSs in favor of all resolutions proposed by our board of directors or, if not so proposed, to vote in the same manner as the majority of all other shares voted in respect of this resolution. The depositary will vote as described in the preceding sentence unless we notify the depositary that:

- we do not wish the depositary to vote those deposited securities;
- we think there is substantial shareholder opposition to the particular question; or
- we think the particular question would have an adverse impact on our shareholders.

Fees and Expenses

Reclassifications, Recapitalizations and Mergers

If we:	***Then:***
Change the nominal or par value of our common shares Reclassify, split up or consolidate any of the deposited securities Distribute securities on the common shares that are not distributed to the holders of ADSs Recapitalize, reorganize, merge, liquidate, sell all or substantially all of our assets, or take any similar action	The cash, shares or other securities received by the depositary will become deposited securities. Each ADS will automatically represent its equal share of the new deposited securities. The depositary may distribute some or all of the cash, shares or other securities it received. It may also deliver new ADRs or ask the holder of ADSs to surrender their outstanding ADRs in exchange for new ADRs identifying the new deposited securities.

Limitations on Obligations and Liability

Limits on Our Obligations and the Obligations of the Depositary; Limits on Liability to Holders of ADRs

The deposit agreement expressly limits our obligations and the obligations of the depositary. It also limits our liability and the liability of the depositary. We and the depositary:

- are only obligated to take the actions specifically set forth in the deposit agreement without negligence or bad faith;
- are not liable if either of us is prevented or delayed by law or circumstances beyond our control from performing our obligations under the deposit agreement;
- are not liable if either of us exercises discretion permitted under the deposit agreement;
- have no obligation to become involved in a lawsuit or other proceeding related to the ADRs or the deposit agreement on behalf of holders of ADSs or on behalf of any other party; and
- may rely upon any documents we believe in good faith to be genuine and to have been signed or presented by the proper party.

In the deposit agreement, we agree to indemnify the depositary for acting as depositary, except for losses caused by the depositary's own negligence or bad faith, and the depositary agrees to indemnify us for losses resulting from its negligence or bad faith.

Requirements for Depositary Actions

Before the depositary will deliver or register a transfer of an ADR, make a distribution on an ADR, or permit withdrawal of common shares, the depositary may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any common shares or other deposited securities;
- satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

The depositary may refuse to deliver ADSs or register transfers of ADSs generally when the transfer books of the depositary or our transfer books are closed or at any time if the depositary or we think it advisable to do so.

The Right of Holders of ADSs to Receive the Common Shares Underlying their ADRs

Holders of ADSs have the right to surrender their ADSs and withdraw the underlying common shares at any time except:

When temporary delays arise because: (i) the depositary has closed its transfer books or we have closed our transfer books; (ii) the transfer of common shares is blocked to permit voting at a shareholders' meeting; or (iii) we are paying a dividend on our common shares.

When holder of ADSs seeking to withdraw common shares owe money to pay fees, taxes and similar charges.

When it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADRs or to the withdrawal of common shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

Pre-Release of ADSs

The deposit agreement permits the depositary to deliver ADSs before deposit of the underlying common shares. This is called a Pre-Release of the ADSs. The depositary may also deliver common shares upon the receipt and cancellation of pre-released ADSs (even if the ADSs are surrendered before the Pre-Release transaction has been terminated). A Pre-Release is terminated as soon as the underlying common shares are delivered to the Depositary. The depositary may receive ADSs instead of common shares to satisfy a Pre-Release. The depositary may pre-release ADSs only under the following conditions: (a) before or at the time of the pre-release, the person to whom the pre-release is being made represents to the depositary in writing that it or its customer (i) owns the common shares or ADSs to be deposited; (ii) transfers all beneficial right, title and interest in such common shares or ADSs, as the case may be, to the Depositary in its capacity as such and for the benefit of the Beneficial Owners, and (iii) will not take any action with respect to such common shares or ADSs, as the case may be, that is inconsistent with the transfer of ownership (including, without the consent of the Depositary, disposing of common shares or ADSs, as the case may be, other than in satisfaction of such Pre-Release); (b) the pre-release is fully collateralized with cash or other collateral that the depositary considers appropriate; (c) the depositary must be able to terminate the pre-release on not more than five business days' notice and (d) Pre-Release is subject to such further indemnities and credit regulations as the Depositary deems appropriate. In addition, the depositary will limit the number of ADSs that may be outstanding at any time as a result of Pre-Release, although the depositary may disregard the limit from time to time, if it thinks it is appropriate to do so.

Direct Registration System

In the deposit agreement, all parties to the deposit agreement acknowledge that the DRS and Profile Modification System, or Profile, will apply to uncertificated ADSs upon acceptance thereof to DRS by DTC. DRS is the system administered by DTC pursuant to which the depositary may register the ownership of uncertificated ADSs, which ownership shall be evidenced by periodic statements sent by the depositary to the registered holders of uncertificated ADSs. Profile is a required feature of DRS which allows a DTC participant, claiming to act on behalf of a registered holder of ADSs, to direct the depositary to register a transfer of those ADSs to DTC or its nominee and to deliver those ADSs to the DTC account of that DTC participant without receipt by the depositary of prior authorization from the ADS registered holder to register that transfer.

In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties to the deposit agreement understand that the depositary will not verify, determine or otherwise ascertain that the DTC participant, which is claiming to be acting on behalf of an ADS registered holder in requesting registration of transfer and delivery described in the paragraph above, has the actual authority to act on behalf of the ADS registered holder (notwithstanding any requirements under the Uniform Commercial Code). In the deposit agreement, the parties agree that the depositary's reliance on and compliance with instructions received by the depositary through the DRS/Profile System and in accordance with the deposit agreement, shall not constitute negligence or bad faith on the part of the depositary.

Shareholder Communications and Inspection of Register of Holders of ADSs

The holders of ADSs are holders of deposited securities. As such, the depositary will make available for inspection by the holders of ADSs at its office all communications that it receives from us that we make generally available to holders of deposited securities. The depositary will send holders of ADSs copies of those communications if we ask it to. Holders of ADSs have a right to inspect the register of holders of ADSs, but not for the purpose of contacting those holders about a matter unrelated to our business or the ADSs.

Amendment and Termination

We may agree with the depositary to amend the deposit agreement and the ADRs without the consent of holders of ADSs for any reason. If an amendment adds or increases fees or charges, except for taxes and other governmental charges or expenses of the depositary for registration fees, facsimile costs, delivery charges or similar items, or prejudices a substantial right of ADR holders, it will not become effective for outstanding ADRs until 30 days after the depositary notifies ADR holders of the amendment. At the time an amendment becomes effective, the holders of ADSs are considered, by

continuing to hold their ADR, to agree to the amendment and to be bound by the ADRs and the deposit agreement as amended.

The depositary will terminate the deposit agreement if we ask it to do so. The depositary may also terminate the deposit agreement if the depositary has told us that it would like to resign and we have not appointed a new depositary bank within 60 days. In either case, the depositary must notify the holder of ADSs at least 30 days before termination.

After termination, the depositary and its agents will do the following under the deposit agreement but nothing else: (a) advise the holders of ADSs that the deposit agreement is terminated, (b) collect distributions on the deposited securities, (c) sell rights and other property, and (d) deliver common shares and other deposited securities upon surrenders of ADRs. One year after termination, the depositary may sell any remaining deposited securities by public or private sale. After that, the depositary will hold the money it received on the sale, as well as any other cash it is holding under the deposit agreement for the *pro rata* benefit of the ADR holders that have not surrendered their ADRs. It will not invest the money and has no liability for interest. The depositary's only obligations will be to account for the money and other cash. After termination our only obligations will be to indemnify the depositary and to pay fees and expenses of the depositary that we agreed to pay.

Fees, Expenses and Payment of Taxes

See Item 12. Description of Securities other than Equity Securities.

DOCUMENTS ON DISPLAY

The materials included in this annual report on Form 20-F, and exhibits thereto, may be inspected and copied at the Securities and Exchange Commission's public reference room in Washington, D.C. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the public reference rooms. The Securities and Exchange Commission maintains a World Wide Web site on the Internet at http://www.sec.gov that contains reports and information statements and other information regarding us. The reports and information statements and other information about us can be downloaded from the Securities and Exchange Commission's website.

Item 11. *Quantitative and Qualitative Disclosures about Market Risk*

Market risk generally represents the risk that losses may occur in the value of financial instruments as a result of movements in interest rates, foreign currency exchange rates or commodity prices. We are exposed to changes in financial market conditions in the normal course of our business due to our use of certain financial instruments and to our execution of transactions in various foreign currencies.

As of December 31, 2016, we had no material exposure to interest rate risk because all our outstanding financial debt bore interest at fixed rates. See Note 5.1 of our financial statements for further information. In addition, we had no material exposure to commodity price risk, since they represented a minor part of our operating expenses.

Foreign Currency Risk

Our cash and deposits in U.S. Dollars amounted to U.S.$ 10.2 million as of December 31, 2016.

As of December 31, 2016, the potential loss to Edenor that would result from a hypothetical 10% change in foreign currency exchange rates, after giving effect to the impact of the change on our assets and liabilities denominated in foreign currency as of December 31, 2016, was approximately Ps. 283.9 million, primarily due to the increase in the principal amount of, and debt service payments on, our foreign currency indebtedness.

In 2016, the devaluation of the Peso with respect to the U.S. Dollar reached approximately 20%.

Item 12. ***Description of Securities Other than Equity Securities***

Persons depositing common shares or holders of ADSs will be required to pay certain fees and expenses, as described in the table below, which the depositary is entitled to deduct prior to making any cash dividend or other cash distribution on the deposited shares.

***Persons depositing common shares or ADS holders must pay*:**	***For*:**
$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	• Issuance of ADSs, including issuances resulting from a distribution of common shares or rights or other property • Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
$0.02 (or less) per ADS	• Any cash distribution to the holder of the ADSs
$0.02 (or less) per ADS per year	• Depositary services
A fee equivalent to the fee that would be payable if securities distributed to the holder of ADSs had been common shares and the shares had been deposited for issuance of ADSs	• Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADR holders
Registration or transfer fees	• Transfer and registration of common shares on our common share register to or from the name of the depositary or its agent when the holder of ADSs deposits or withdraw common shares.
Expenses of the depositary in converting foreign currency to U.S. Dollars	
Expenses of the depositary	• Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)
Taxes and other governmental charges the depositary or the custodian have to pay on any ADSs or common share underlying ADSs, for example, stock transfer taxes, stamp duty or withholding taxes	
Any charges incurred by the depositary or its agents for servicing the deposited securities	• No charges of this type are currently made in the Argentine market

Reimbursement of fees

The Bank of New York Mellon, as depositary, reimbursed us for certain expenses relating to our initial public offering and establishment of our ADR program in 2007. Aside from that initial payment, we do not receive any reimbursement from the depositary for expenses we incur that related to the maintenance of the ADS program.

The depositary collects fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees related to making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them.

The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

Payment of taxes

The depositary may deduct the amount of any taxes owed from any payments to the holder of ADSs. It may also sell deposited securities, by public or private sale, to pay any taxes owed. The holder of ADSs will remain liable if the proceeds of the sale are not enough to pay the taxes. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to the holder of ADSs any proceeds, or send to the holder of ADSs any property, remaining after it has paid the taxes**.**

PART II

Item 13. ***Defaults, Dividend Arrearages and Delinquencies***

The economic crisis in Argentina had a material adverse effect on our operations. The 2001 and 2002 economic crisis in Argentina had a material adverse effect on our operations. The devaluation of the Peso caused the Peso value of our U.S. Dollar-denominated indebtedness to increase significantly, resulting in significant foreign exchange losses and a significant increase, in Peso terms, in our debt service requirements. At the same time, our cash flow remained Peso-denominated and our distribution margins were frozen and pesified by the Argentine government pursuant to the Public Emergency Law. Moreover, the 2001 and 2002 economic crisis in Argentina had a significant adverse effect on the overall level of economic activity in Argentina and led to deterioration in the ability of our customers to pay their bills. These developments caused us to announce on September 15, 2002 the suspension of principal payments on our financial debt. On September 26, 2005, our board of directors decided to suspend interest payments on our financial debt until the restructuring of this debt was completed.

On January 20, 2006, we launched a voluntary exchange offer and consent solicitation to the holders of our then-outstanding financial debt. All of these holders elected to participate in the restructuring and, as a result, on April 24, 2006, we exchanged all of our then-outstanding financial debt for three series of newly-issued notes, which we refer to as the restructuring notes. As of the date of this annual report, all of the restructuring notes have been repaid and cancelled. For a description of our debt following the restructuring see “Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Debt”.

Item 14. ***Material Modifications to the Rights of Security Holders and Use of Proceeds***

Use of Proceeds

On April 30, 2007, we completed an initial public offering. We received U.S.$ 57.7 million in net proceeds from the offering. We did not receive any proceeds from the sale of our shares and ADSs by our selling shareholders in the offering. We used all of the net proceeds we received from the offering to repurchase a part of our then outstanding Fixed Rate Par Notes due 2016 and Discount Notes due 2014 in various market repurchase transactions during 2007 and to make capital expenditures.

Item 15. ***Controls and Procedures***

a) Disclosure Controls and Procedures.

Our management has evaluated, with the participation of our chief executive officer and chief financial officer, the effectiveness of the design and operation of the Company’s disclosure controls and procedures pursuant to Rule 13a-15e of the Securities Exchange Act of 1934 as of December 31, 2016.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon that evaluation, management, including the chief executive officer and chief financial officer concluded that as of December 31, 2016,

the Company's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

b) Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The company's internal control over financial reporting includes those policies and procedures that:

i. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

ii. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

iii. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2016. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013) in Internal Control-Integrated Framework. Based on our assessment and those criteria, management believes that the company maintained effective internal control over financial reporting as of December 31, 2016.

The effectiveness of the Company´s internal control over financial reporting as of December 31, 2016 has been audited by Price Waterhouse & Co. S.R.L., an independent registered public accounting firm, as stated in their report, which is included herein.

c) Attestation Report of the Registered Public Accounting Firm

Reference is made to the report of the Price Waterhouse & Co. S.R.L. on page [F-102] of this annual report.

d) Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting during 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 16A. ***Audit Committee Financial Expert***

Our board of directors has determined that Eduardo Llanos, an independent member of our board of directors, under Argentine law and Rule 10A-3, is an "audit committee financial expert" as defined in Item 16A of Form 20F under the Securities and Exchange Act of 1934. See "Item 6. Directors, Senior Management and Employees—Directors and Senior Management—Audit Committee".

Item 16B. ***Code of Ethics*** **|**

Our company adopted a code of ethics in May 1999, which applies to all of our employees, including our principal executive, financial and accounting officers. In 2012 and 2015, we reviewed and updated our code of ethics, and we posted a copy of our revised code of ethics on our website at http://www.edenor.com.ar.

Item 16C. ***Principal Accountant Fees and Services***

Price Waterhouse & Co. S.R.L. (member firm of PricewaterhouseCoopers network) acted as our independent registered public accounting for the fiscal years ended December 31, 2016, 2015, 2014, 2013 and 2012. The chart below sets forth the services rendered to us by Price Waterhouse & Co. S.R.L. and the fees accrued in the last two years for those services (including related expenses), and breaks down these amounts by category of service in Pesos:

	Year ended December 31,	
	2016	**2015**
Audit fees	6,835,163	4,458,634
Audit-related fees	-	-
Tax fees	-	-
All other fees	-	-
Total	**6,835,163**	**4,458,634**

We have adopted pre-approval policies and procedures under which all audit services provided by our external auditors must be pre-approved by the audit committee as set forth in our internal policies. Any service proposals submitted by external auditors need to be discussed and approved by the audit committee during its meetings, which take place at least four times a year. Once the proposed service is approved, we formalize the engagement of services. The approval of any audit services to be provided by our external auditors is specified in the minutes of our audit committee.

Item 16D. ***Exemptions from the Listing Standards for Audit Committees***

Not applicable.

Item 16E. ***Purchases of Equity Securities by the Issuer and Affiliated Purchasers***

Neither we nor any affiliated purchaser has engaged in share repurchases during the year ended December 31, 2016.

Item 16F. ***Change in Registrant's Certifying Accountant***

Not applicable.

Item 16G. ***Corporate Governance***

Pursuant to Rule 303A.11 of the Listed Company Manual of the New York Stock Exchange (NYSE), we are required to provide a summary of the significant ways in which our corporate governance practices differ from those required for U.S. companies under the NYSE listing standards. Our corporate governance practices are governed by our bylaws, Argentine corporate and securities law (including the Argentine Corporations Law, the Capital Markets Law No. 26,386) and the regulations issued by the Argentine National Securities Commission (*Comisión Nacional de Valores*), such as the Corporate Governance Code CNV's General Resolution No. 606/2012 (the "CGC").

F. NYSE LISTED COMPANY MANUAL SECTION 303.A	G. Edenor's Corporate Practices
SECTION 303A.01. Independent directors must constitute the majority of a listed company's board of directors.	Edenor follows Argentine law, which does not require that a majority of the board of directors be comprised of independent directors. Argentine law instead requires that public companies in Argentina have a sufficient number of independent directors to be able to form an audit committee of at least three members, the majority of which must be independent pursuant to the criteria established by the CNV. As of the date of this annual report, seven of Edenor's twelve directors are independent under Argentine law and Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act").
SECTION 303A.02. This rule establishes the standards that determine whether a director qualifies as independent. It provides that directors cannot qualify as independent unless the board of directors finds them to have no material relationship with the listed company. A number of per se exclusions from independence apply, generally triggered by having a connection, individually or through an immediate family member, to the listed company or to a company that has a material relationship with the listed company as a shareholder, employee, officer, or director of the listed company.	The CNV's Regulations, specifically Article 11 of Section III, Chapter III, Title II I, indicate the criteria for establishing independence of a director. They provide that any director who does any of the following is not independent: (i) Is a member of the board of directors of or employee of any of the shareholders with material holdings[1] in the company or of other companies whose shareholders have direct or indirect material holdings; (ii) works at the company in an employment relationship or worked in an employment relationship at any time in the past 3 years; (iii) performs professional services or belongs to a company or professional association that provides such services to the company or its shareholders with material holdings; (iv) directly or indirectly has a material holding in the company; (v) directly or indirectly sells or supplies goods or services to the company and/or its direct or indirect shareholders with material holdings; (vi) is spouse, relative to the fourth degree of consanguinity, or relative to the second degree of affinity of any individuals who would qualify as non-independent if they were members of the management body. In addition, Article 4 of Section III, Chapter I, Title XII of the CNV's Regulations provides that at each election of directors, the non-independence or independence of any candidates proposed at the shareholders' meeting must be disclosed. Moreover, after the shareholders' meeting in which directors are appointed, the personal data of the appointed directors and their qualification as independent or non-independent (in the latter case in the form of an affidavit executed by each director) must be disclosed to the CNV and the exchanges where the company has its securities listed.

[1] Under Argentine law, a "material holding" is defined as any shareholding equivalent to at least 15% of a company's capital stock.

SECTION 303A.03. This rule requires regular scheduled meetings of non-executive directors to increase the involvement and efficiency of such director.	Neither Argentine law nor Edenor's bylaws require that any such meetings be held. Edenor's board of directors as a whole is responsible for administering and monitoring the company's affairs. Under Argentine law, the board of directors may approve the delegation of specific responsibilities to designated directors or executive directors and or managers of the Company. Also, it is mandatory for public companies to have a supervisory committee (*Comisión Fiscalizadora*), which is responsible for monitoring legal compliance by the Company with Argentine law, its bylaws and shareholders' resolutions. The supervisory committee, without prejudice to the role of external auditors, is also required to present to the shareholders at the annual ordinary general meeting a written report on the reasonableness of the financial information of the Company's annual report and the financial statements presented to the shareholders by Edenor's board of directors. The supervisory committee also presents a report to the board of directors on Edenor's quarterly financial statements. The members of the supervisory committee are not directors of the company.
SECTION 303A.04. Listed companies must organize an Appointment and Corporate Governance Committee composed entirely of independent directors.	Neither Argentine law nor Edenor's bylaws require having an Appointment Committee nor a Corporate Governance Committee. We note, however, that CNV corporate governance rules recommend having rules and procedures relating to the selection of Board members and executive directors. The board of directors is permitted to and often does nominate board member candidates for consideration by the shareholders, who elect the board of directors. The entire board of directors is in charge of overseeing Edenor's corporate governance practices.
SECTION 303A.05. Listed companies must organize a Compensation Committee composed entirely of independent directors.	Neither Argentine law nor Edenor's bylaws require to have a "compensation committee" and Edenor has no such committee. The CNV corporate governance rules recommend issuers to have compensation policies applicable to Board members and corporate managers. Edenor's Audit Committee is required to give an opinion about the reasonableness of a director's fees and stock option plans (if applicable), as proposed by our board of directors. Shareholders at the annual ordinary general meeting determine the annual compensation to members of the board of directors. The CEO of Edenor sets the salary of the other members of the senior management. The board of directors determines the salary of the CEO.
SECTION 303A.06. Listed companies must organize an audit committee that meets the requirements set forth in the Securities	Edenor is subject to and in compliance with §303A.06 and Rule 10A-3. Edenor's audit committee is entirely composed of independent

Exchange Act of 1934.	members of Edenor's board of directors.
SECTION 303A.07. The audit committee must have at least 3 members, all of whom must qualify as independent. In addition, the audit committee must have written regulations establishing: (i) the purpose of the committee; (ii) the annual assessment of the committee's performance; and (iii) the committee's obligations and responsibilities. Finally, the rule establishes that listed companies must have internal audit functions within their organization in order to assist both the audit committee and the company's management in matters related to risk and internal control processes.	As a foreign private issuer, Edenor is not subject to §303A.07. As such, Edenor's audit committee charter may not provide for every one of the specific duties required by §303A.07. The duties of the audit committee include monitoring Edenor's internal control, administrative and accounting systems; supervising the application of Edenor's risk management policies; providing the market adequate information regarding conflicts of interests that may arise between Edenor's company and Edenor's directors or controlling shareholders; rendering opinions on transactions with related parties; and supervising and reporting to regulatory authorities the existence of any kind of conflict of interest. Under Argentine law, there is no requirement related to the financial expertise of the members of the audit committee. However, the members of Edenor's audit committee have extensive corporate and financial experience. At least one member of the audit committee has sufficient expertise as an external auditor to be recognized by the board of directors of Edenor as an "audit committee financial expert" as defined in Item 16A of Form 20F. In accordance with Edenor's internal policies, Edenor's audit committee must pre-approve all audit and non-audit services provided by external auditors.
SECTION 303A.08. The shareholders must be given the opportunity to vote on equity-compensation plans and their material revisions, although there are exceptions to this requirement, such as when these compensation plans serve as labor incentive tools.	Edenor does not have any equity compensation plans and therefore does not have in place procedures for shareholder approval of such plans.
SECTION 303A.09. Listed companies must adopt and disclose their corporate governance guidelines.	Law No. 26,831 (Capital Market's Law) requires Edenor to provide governance-related information in the annual reports to the CNV, including information relating to the decision- making organization (corporate governance), the company's internal control system, norms for director and management compensation, and any other compensation system applying to board members and managers. All relevant information provided by the Company to the CNV is sent through the CNV's electronic financial reporting database and may be viewed by the public on the CNV website. Edenor's Annual Report, financial statements and press releases may also be viewed on the Company's Web site (www.edenor.com.ar). Under Argentine law, the board's performance is evaluated at the annual Shareholders' Meeting.

	Listed companies must meet the annual disclosure requirements of the CGC. Listed companies must issue a report stating whether and how they follow the recommendations provided by the CGC or explaining the reasons for their failure to adopt such recommendations, either fully or in part, and/or whether they plan to adopt them in the future. This information must appear in their annual report, attached to the financial statements for the relevant fiscal year as a separate exhibit. Once filed with the CNV and the exchange markets where the company is listed, the CGC report qualifies as public information. Edenor complies with the CGC annual disclosure requirements and fully disclose all corporate governance policies and practices. This information may be viewed on the company's website at http://www.edenor.com.ar.
SECTION 303A.10. Listed companies must adopt and disclose to the market a Code of Ethics and Business Conduct which is applicable to their directors, managers and employees. In addition, any waiver of the provisions contained in this Code in favor of any of the parties that are subject to it must be immediately disclosed.	Under Argentine law there is no requirement that companies adopt a code of conduct. Nonetheless, our company adopted a code of ethics in 1999, which applies to all of our employees, including our principal executive, financial and accounting officers. In 2012 and 2015 we reviewed and updated our code of ethics.
SECTION 303A.12(a). The Chief Executive Officer (CEO) of a listed company must certify on an yearly basis that he or she has no knowledge of any violation or default of the corporate governance standards. Additionally, the CEO must report any default or violation of the corporate governance standards contained in the NYSE LCM by any of the company's executives to the NYSE immediately. Finally, listed companies must file an annual statement and updated reports with the NYSE disclosing any changes in the composition of their board of directors or any of the committees described in Section 302A of the NYSE LCM.	No similar obligation exists under Argentine legislation. However, in accordance with Argentine law the directors of a company must annually submit for its shareholders' approval such company's annual report and financial statements at such company's annual shareholders' meeting. Also, Edenor discloses material events in regulatory filings both with the CNV in Argentina and with the SEC on form 6K in the United States (as "materiality" is understood in each of those respective jurisdictions). Under applicable rules of the NYSE, Edenor is required to disclose to the NYSE certain changes in its audit committee, including any change that affects the committee's independence. Edenor is subject to and complies with §303A.12(b), to the extent that it relates to the sections of the NYSE Listed Company Manual that apply to foreign private issuers. Edenor complies with the certification requirements under §303A.12(c).

Item 16 H. ***Mine Safety Disclosures***

Not applicable.

PART III

Item 17. ***Financial Statements***

The Registrant has responded to Item 18 in lieu of this Item.

Item 18. ***Financial Statements***

Our financial statements are included in this annual report beginning on page F-1.

Item 19. ***Exhibits***

Documents filed as exhibits to this annual report:

1.1 *Estatutos sociales* (corporate bylaws) of Empresa Distribuidora y Comercializadora Norte S.A. (English translation) (previously filed as Exhibit 3.1 to Edenor's Registration Statement on Form F-1 (File No. 333-141894) on April 4, 2007 and incorporated by reference herein.)

2.1 Form of Deposit Agreement among Empresa Distribuidora y Comercializadora Norte S.A., The Bank of New York, as depositary, and the Holders from time to time of American Depositary Shares issued thereunder, including the form of American Depositary Receipts (previously filed as Exhibit 4.1 to Edenor's Amendment No. 2 to Registration Statement on Form F-1 (File No. 333-141894) on April 20, 2007 and incorporated by reference herein.)

2.2 Indenture dated October 9, 2007, between Empresa Distribuidora y Comercializadora Norte S.A., as Issuer, and The Bank of New York, as Trustee, Co-Registrar and Paying Agent, and Banco Santander Río S.A., as Registrar, Transfer and Paying Agent in Argentina and Representative of the Trustee in Argentina (previously filed as Exhibit 2.3 to Edenor's Annual Report on Form 20-F (File No. 001-33422) on June 26, 2008 and incorporated by reference herein).

2.3 Registration Rights Agreement, dated October 9, 2007, between Empresa Distribuidora y Comercializadora Norte S.A. and Citigroup Global Markets Inc. and Deutsche Bank Securities Inc. as Representatives of the Initial Purchasers (previously filed as Exhibit 2.4 to Edenor's Annual Report on Form 20-F (File No. 001-33422) on June 26, 2008 and incorporated by reference herein).

2.4 Indenture dated October 25, 2010, between Empresa Distribuidora y Comercializadora Norte S.A., as Issuer, and The Bank of New York, as Trustee, Co-Registrar and Paying Agent, and Banco Santander Río S.A., as Registrar, Transfer and Paying Agent in Argentina and Representative of the Trustee in Argentina (previously filed as Exhibit 2.5 to Edenor's Annual Report on Form 20-F (File No. 001-33422) on June 6, 2011, and incorporated by reference herein).

12.1 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

12.2 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

13.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Empresa Distribuidora y Comercializadora Norte
Sociedad Anónima

Date: April 28, 2017

Name: Leandro Carlos Montero
Title: Chief Financial Officer

Empresa Distribuidora y Comercializadora Norte Sociedad Anónima (Edenor S.A.)
Management's Report on Internal Control Over Financial Reporting

Edenor S.A.'s Management is responsible for establishing and maintaining adequate internal control over financial reporting for Edenor S.A. as defined in Exchange Act Rule 13a-15(f) and 15d-15(f). Our internal control over financial reporting was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IFRS"). Internal control over financial reporting includes those policies and procedures that:

· pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of Edenor S.A.;

· provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS and that receipts and expenditures of Edenor S.A. are being made only in accordance with authorizations of Management and directors of Edenor S.A.; and

· provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of Edenor S.A.'s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an evaluation of the effectiveness of Edenor S.A.'s internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 2013. Based on such evaluation, Management concluded that the Edenor S.A.'s internal control over financial reporting was effective as of December 31, 2016. The effectiveness of Edenor S.A.'s internal control over financial reporting as of December 31, 2016 has been audited by Price Waterhouse & Co S.R.L., an independent registered public accounting firm, as stated in their report which accompanies this report.

Date: March 8, 2017.

/s/ RicardoTorres
Name: Ricardo Torres
Title: Chief Executive Officer

Date: March 8, 2017.

/s/ Leandro Carlos Montero
Name: Leandro Carlos Montero
Title: Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Empresa Distribuidora y Comercializadora Norte
Sociedad Anónima (Edenor S.A.)

In our opinion, the accompanying statements of financial position and the related statements of comprehensive (loss) income, of changes in equity and of cash flows present fairly, in all material respects, the financial position of Empresa Distribuidora y Comercializadora Norte Sociedad Anónima (Edenor S.A.) (hereinafter, Edenor S.A.) as of December 31, 2016 and 2015, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2016 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Without qualifying our opinion, we draw the attention to the situation explained in Note 1 to the financial statements in relation to the economic and financial situation of Edenor S.A.

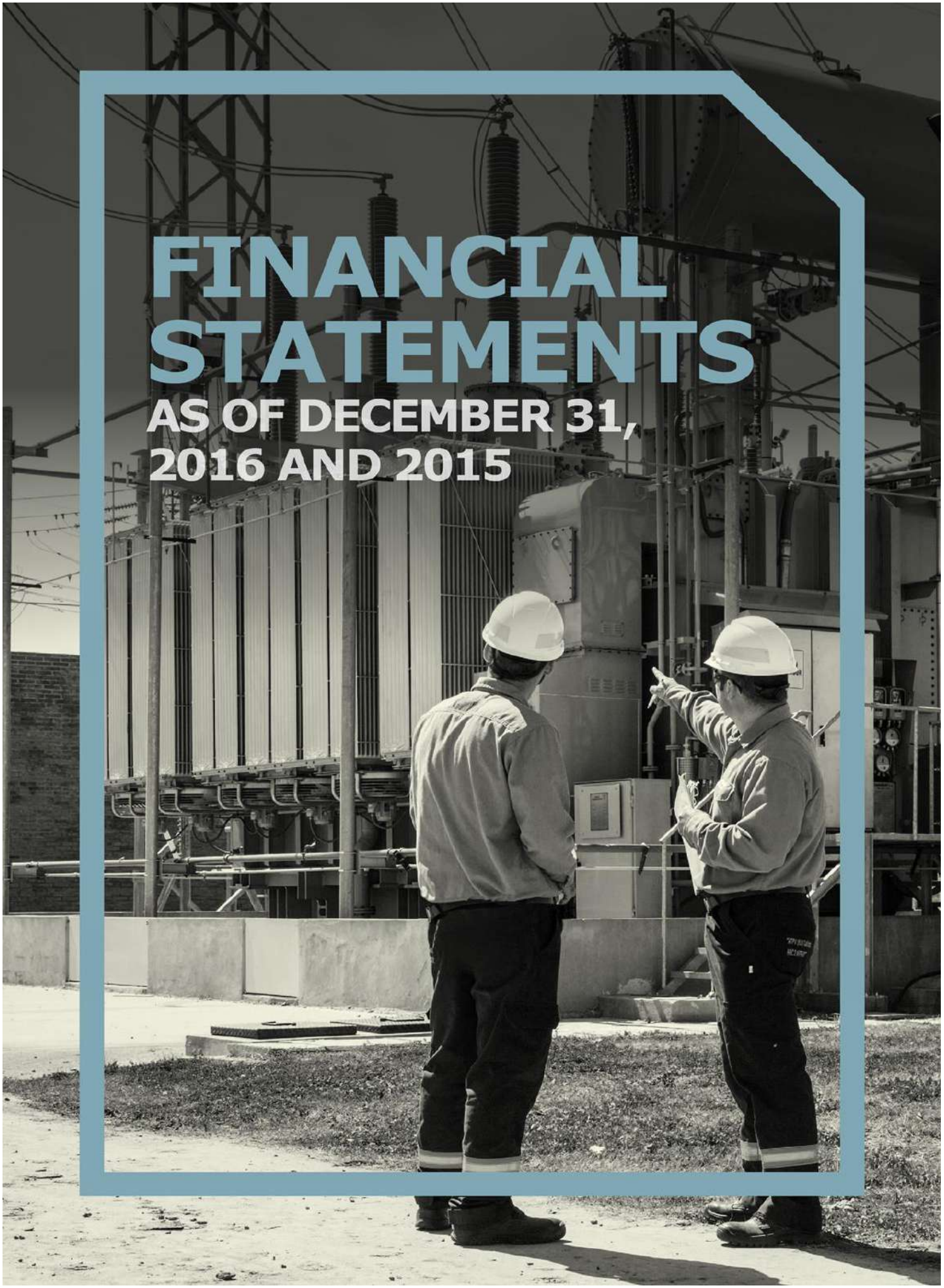
A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Autonomous City of Buenos Aires, March 8, 2017.

/s/ PRICE WATERHOUSE & CO. S.R.L.

R. Sergio Cravero (Partner)



FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2016 AND 2015

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Independent Auditors' Report

Glossary of Terms

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

Terms	*Definitions*
AFIP	Federal Administration of Public Revenue
ANAC	National Civil Aviation Administration
ANSES	National Social Security Administration
AySA	Agua y Saneamientos Argentinos S.A.
BICE	Banco de Inversión y Comercio Exterior
BNA	Banco de la Nación Argentina
BST	Banco de Servicios y Transacciones
CAMMESA	Compañía Administradora del Mercado Mayorista Eléctrico S.A. (the company in charge of the regulation and operation of the wholesale electricity market)
CNV	National Securities Commission
CPCCN	Federal Code of Civil and Commercial Procedure of Argentina
CSJN	Supreme Court of Justice of Argentina
CYCSA	Comunicaciones y Consumos S.A.
DGI	General Tax Bureau
EASA	Electricidad Argentina S.A.
Edenor S.A	Empresa Distribuidora y Comercializadora Norte S.A.
Edesur S.A	Empresa Distribuidora Sur S.A.
ENARSA	Energía Argentina S.A.
ENRE	National Regulatory Authority for the Distribution of Electricity
FNEE	National Fund of Electricity
FOCEDE	Fund for Electric Power Distribution Expansion and Consolidation Works
FOTAE	Trust for the Management of Electricity Power Transmission Works
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IGJ	Argentine governmental regulatory agency of corporations
LVFVD	Sale Settlements with Maturity Dates to be Determined
MEM	Wholesale Electricity Market
MEyFP	Economy and Public Finance Ministry
MEyM	Energy and Mining Ministry
MMC	Cost Monitoring Mechanism
MPFIPyS	Ministry of Federal Planning, Public Investment and Services
OSV	Orígenes Seguros de Vida S.A.
PEN	Federal Executive Power
PESA	Pampa Energía S.A.
PISA	Pampa Inversiones S.A.
PUREE	Program for the Rational Use of Electric Power
PYSSA	Préstamos y Servicios S.A.
RTI	Tariff Structure Review
SACME	S.A. Centro de Movimiento de Energía
SE	Energy Secretariat
SEC	Securities and Exchange Commission
SEGBA	Servicios Eléctricos del Gran Buenos Aires S.A.
SUSS	Single Social Security System
TERI	Study, Review and Inspection of Works in Public Spaces Fees
VAD	Distribution Added Value
VRD	Debt Securities

Legal Information

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

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

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

Date of registration with the Public Registry of Commerce:
- of the Articles of Incorporation: August 3, 1992
- of the last amendment to the By-laws: May 28, 2007

Term of the Corporation: August 3, 2087

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

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

Legal address: Maipú 1, City of Buenos Aires

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

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

CAPITAL STRUCTURE
AS OF DECEMBER 31, 2016
(amounts stated in pesos)

Class of shares	7. 8. Subscribed and paid-in (See Note 17)
Common, book-entry shares, face value 1 and 1 vote per share	
Class A	462,292,111
Class B (1)	442,210,385
Class C (2)	1,952,604
	906,455,100

(1) Includes 9,412,500 treasury shares as of December 31, 2016 and 2015.
(2) Relates to the Employee Stock Ownership Program Class C Shares that have not been transferred.

Edenor S.A.
Statement of Financial Position
as of December 31, 2016 and 2015
(Stated in thousands of pesos)

	Note	12.31.16	12.31.15
ASSETS			
Non-current assets			
Property, plant and equipment	**9**	11,196,990	8,885,789
Interest in joint ventures	**7**	435	433
Deferred tax asset	**25**	1,019,018	50,048
Other receivables	**11**	50,492	153,777
Financial assets at amortized cost	**14**	44,429	-
Financial assets at fair value through profit or loss	**13**	-	23,567
Total non-current assets		**12,311,364**	**9,113,614**
Current assets			
Inventories	**15**	287,810	134,867
Other receivables	**11**	179,308	1,079,860
Trade receivables	**12**	3,901,060	963,005
Financial assets at fair value through profit or loss	**13**	1,993,915	1,560,434
Financial assets at amortized cost	**14**	1,511	-
Derivative financial instruments		-	197
Cash and cash equivalents	**16**	258,562	128,952
Total current assets		**6,622,166**	**3,867,315**
TOTAL ASSETS		**18,933,530**	**12,980,929**

Edenor S.A.
Statement of Financial Position
as of December 31, 2016 and 2015 (*continued*)
(Stated in thousands of pesos)

	Note	12.31.16	12.31.15
EQUITY			
Share capital and reserve attributable to the owners of the Company			
Share capital	**17**	897,043	897,043
Adjustment to share capital		397,716	397,716
Additional paid-in capital		3,452	3,452
Treasury stock	**17**	9,412	9,412
Adjustment to treasury stock		10,347	10,347
Legal reserve		73,275	-
Opcional reserve		176,061	-
Other reserve		20,346	-
Other comprehensive loss		(37,172)	(42,253)
Accumulated losses		(1,188,648)	249,336
TOTAL EQUITY		**361,832**	**1,525,053**
LIABILITIES			
Non-current liabilities			
Trade payables	**19**	232,912	224,966
Other payables	**20**	5,103,326	2,391,878
Borrowings	**22**	2,769,599	2,460,975
Deferred revenue	**21**	199,990	153,816
Salaries and social security payable	**23**	94,317	80,039
Benefit plans	**24**	266,087	204,386
Tax liabilities	**27**	680	1,922
Provisions	**29**	341,357	259,573
Total non-current liabilities		**9,008,268**	**5,777,555**
Current liabilities			
Trade payables	**19**	6,821,061	4,475,427
Other payables	**20**	134,759	151,674
Borrowings	**22**	53,684	48,798
Deferred revenue	**21**	764	764
Salaries and social security payable	**23**	1,032,187	733,131
Benefit plans	**24**	33,370	28,291
Tax payable	**26**	155,205	16,332
Tax liabilities	**27**	1,244,488	153,415
Provisions	**29**	87,912	70,489
Total current liabilities		**9,563,430**	**5,678,321**
TOTAL LIABILITIES		**18,571,698**	**11,455,876**
TOTAL LIABILITIES AND EQUITY		**18,933,530**	**12,980,929**

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

Edenor S.A.
Statement of Comprehensive (Loss)/Income
for the years ended December 31, 2016, 2015 and 2014
(Stated in thousands of pesos)

	Note	12.31.16	12.31.15	12.31.14
Revenue	**30**	13,079,609	3,802,162	3,598,376
Electric power purchases		(6,060,333)	(2,021,981)	(1,878,088)
Subtotal		**7,019,276**	**1,780,181**	**1,720,288**
Transmission and distribution expenses	**31**	(6,147,214)	(3,153,664)	(2,825,062)
Gross loss		**872,062**	**(1,373,483)**	**(1,104,774)**
Selling expenses	**31**	(1,616,696)	(832,806)	(657,909)
Administrative expenses	**31**	(1,162,325)	(706,091)	(496,762)
Other operating expense, net	**32**	(376,020)	(422,546)	(265,505)
Gain from interest in joint ventures		2	1	5
Operating loss before income from provisional remedies, higer costs recognition and SE Resolution 32/15		**(2,282,977)**	**(3,334,925)**	**(2,524,945)**
Recognition of income – provisional remedies – MEyM Note 2016-04484723	**2c)VIII**	1,125,617	**-**	**-**
Income recognition on account of the RTI - SE Resolution 32/15	**2c)VII**	419,732	5,025,114	-
Higher cost recognition – SE Resolution 250/13 and subsequent Notes	**2c)IV**	81,512	551,498	2,271,927
Operating (loss) profit		**(656,116)**	**2,241,687**	**(253,018)**
Financial income	**33**	196,754	96,225	235,534
Financial expenses	**33**	(1,444,882)	(450,016)	(592,013)
Other financial results	**33**	(27,466)	(561,723)	(324,575)
Net financial expense		**(1,275,594)**	**(915,514)**	**(681,054)**
(Loss) profit before taxes		**(1,931,710)**	**1,326,173**	**(934,072)**
Income tax	**25**	743,062	(183,730)	154,356
(Loss) profit for the period		**(1,188,648)**	**1,142,443**	**(779,716)**

Edenor S.A.
Statement of Comprehensive (Loss)/Income
for the years ended December 31, 2016, 2015 and 2014 (*continued*)
(Stated in thousands of pesos)

	Note	12.31.16	12.31.15	12.31.14
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Results related to benefit plans	**24**	7,817	(3,678)	(17,823)
Tax effect of actuarial loss profit on benefit plans		(2,736)	1,287	6,238
Total other comprehensive results		**5,081**	**(2,391)**	**(11,585)**
Comprehensive income for the year attributable to:				
Owners of the parent		(1,183,567)	1,140,052	(791,301)
Non-controlling interests		-	-	-
Comprehensive (loss) profit for the year		**(1,183,567)**	**1,140,052**	**(791,301)**
Basic and diluted earnings (loss) profit per share:				
Basic and diluted earnings (loss) profit per share	**34**	(1.33)	1.27	(0.87)

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

Edenor S.A.
Statement of Changes in Equity
for the years ended December 31, 2016, 2015 and 2014
(Stated in thousands of pesos)

	Share capital	Adjustment to share capital	Treasury stock	Adjust-ment to treasury stock	Additional paid-in capital	Legal reserve	Opcional reserve	Other reserve	Other comprehesive loss	Accumulated deficit	**Total equity**
Balance at December 31, 2013	**897,043**	**397,716**	**9,412**	**10,347**	**3,452**	**-**	**-**	**-**	**(28,277)**	**(113,391)**	**1,176,302**
Loss for the year	-	-	-	-	-	-	-			(779,716)	**(779,716)**
Other comprehensive loss for the year	-	-	-	-	-	-	-		(11,585)		**(11,585)**
Balance at December 31, 2014	**897,043**	**397,716**	**9,412**	**10,347**	**3,452**	**-**	**-**	**-**	**(39,862)**	**(893,107)**	**385,001**
Profit for the year	-	-	-	-	-	-	-		-	1,142,443	**1,142,443**
Other comprehensive loss for the year	-	-	-	-	-	-	-		(2,391)	-	**(2,391)**
Balance at December 31, 2015	**897,043**	**397,716**	**9,412**	**10,347**	**3,452**	**-**	**-**	**-**	**(42,253)**	**249,336**	**1,525,053**
Ordinary and Extraordinary Shareholders' Meeting held on 04.28.2016 (Note 43)	-	-	-	-	-	73,275	176,061	-	-	(249,336)	**-**
Other reserve constitution - Share-bases compensation plan (Note 44)	-	-	-	-	-	-	-	20,346	-	-	**20,346**
Loss for the year	-	-	-	-	-	-	-	-	-	(1,188,648)	**(1,188,648)**
Other comprehensive results for the year	-	-	-	-	-	-	-		5,081	-	**5,081**
Balance at December 31, 2016	**897,043**	**397,716**	**9,412**	**10,347**	**3,452**	**73,275**	**176,061**	**20,346**	**(37,172)**	**(1,188,648)**	**361,832**

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

Edenor S.A.
Statement of Cash Flows
for the years ended December 31, 2016, 2015 and 2014
(Stated in thousands of pesos)

	Note	12.31.16	12.31.15 *(restated)*	12.31.14 *(restated)*
Cash flows from operating activities				
(Loss) Profit for the period		(1,188,648)	1,142,443	(779,716)
Adjustments to reconcile net (loss) profit to net cash flows from operating activities:				
Depreciation of property, plants and equipments	**31**	351,582	281,407	237,639
Loss on disposals of property, plants and equipments	**32**	40,466	3,513	959
Net accrued interest	**33**	1,244,911	333,674	340,970
Exchange difference	**33**	417,708	894,773	427,896
Income tax	**25**	(743,062)	183,730	(154,356)
Allowance for the impairment of trade and other receivables, net of recovery	**31**	227,692	24,084	19,692
Adjustment to present value of receivables	**33**	(2,884)	(5,387)	(8,128)
Provision for contingencies	**32**	151,047	226,449	75,417
Other expenses - FOCEDE	**32**	14,653	59,563	97,701
Changes in fair value of financial assets	**33**	(404,173)	(323,610)	(67,591)
Accrual of benefit plans	**31**	105,405	89,254	51,425
Gain from interest in joint ventures		(2)	(1)	(5)
Higher cost recognition – SE Resolution 250/13 and subsequent Notes		(81,512)	(551,498)	(2,271,927)
Income recognition on account of the RTI - SE Resolution 32/15		(419,732)	(495,516)	-
Recognition of income – provisional remedies – MEyM Note 2016-04484723	**2c)VIII**	(1,125,617)	-	-
Net gain from the repurchase of Corporate Bonds	**33**	(42)	-	(44,388)
Income from non-reimbursable customer contributions	**32**	(764)	(764)	-
Other reserve constitution - Share bases compensation plan	**44**	20,346	-	-
Changes in operating assets and liabilities:				
(Increase) in trade receivables		(2,973,819)	(40,557)	(55,276)
Decrease in other receivables		1,063,480	375,620	(134,708)
(Increase) in inventories		(152,943)	(60,898)	9,883
Increase in deferred revenue		46,938	45,490	76,187
Increase in trade payables		2,780,940	911,880	2,446,523
Increase in salaries and social security payable		313,334	139,663	226,689
Decrease in benefit plans		(30,809)	(21,177)	(11,017)
Increase (Decrease) in tax liabilities		990,223	(140,955)	(28,704)
Increase (Decrease) in other payables		2,338,437	(62,125)	262,316
Funds obtained from the program for the rational use of electric power (PUREE) (SE Resolution No. 1037/07)		-	25,612	482,929
Decrease in provisions	**29**	(51,840)	(32,550)	(33,042)
Net cash flows generated by operating activities		**2,931,315**	**3,002,117**	**1,167,368**

Edenor S.A.
Statement of Cash Flows
for the years ended December 31, 2016, 2015 and 2014 (*continued*)
(Stated in thousands of pesos)

	Note	12.31.16	12.31.15 *(restated)*	12.31.14 *(restated)*
Cash flows from investing activities				
Payment of property, plants and equipments		(2,474,600)	(2,095,532)	(1,400,140)
Net (payment for) collection of purchase / sale of financial assets at fair value		89,120	(1,012,037)	(64,625)
Collection of receivables from sale of subsidiaries		11,975	4,272	2,976
Net cash flows used in investing activities		**(2,373,505)**	**(3,103,297)**	**(1,461,789)**
Cash flows from financing activities				
Payment of principal on loans		-	-	(424)
Payment of interest on loans	**22**	(265,950)	(172,923)	(155,251)
Proceeds from PP&E mutuum		-	-	100,000
Proceeds from Salaries mutuum		-	214,894	280,622
Repurchase of corporate notes	**22**	(4,866)	-	-
Payment of redemption on corporate notes	**22**	(221,846)	-	-
activities		**(492,662)**	**41,971**	**224,947**
Increase (Decrease) in cash and cash equivalents		**65,148**	**(59,209)**	**(69,474)**
Cash and cash equivalents at the beginning of year	**16**	128,952	179,080	243,473
Exchange differences in cash and cash equivalents		64,462	9,081	5,081
Increase (Decrease) in cash and cash equivalents		65,148	(59,209)	(69,474)
Cash and cash equivalents at the end of the period	**16**	**258,562**	**128,952**	**179,080**
Supplemental cash flows information				
Non-cash activities				
Financial costs capitalized in property, plants and equipment	**9**	(189,656)	(255,932)	(123,861)
Acquisitions of property, plant and equipment through increased trade payables		(205,756)	(166,763)	(144,833)
(Decrease) from offsetting of PUREE-related liability against receivables (SE Resolution 250/13, subsequent Notes and SE Resolution 32/15)		-	10,619	(574,010)
Increase from offsetting of liability with CAMMESA for electricity purchases against receivables (SE Resolution 250/13, subsequent Notes and SE Resolution 32/15)		-	158,081	(2,218,424)
Decrease from offset of other liabilities with CAMMESA for loans for consumption (Mutuums) granted for higher salary costs (SE Resolution 32/15)		-	(495,516)	-
Amounts received from CAMMESA through FOCEDE		-	723,616	100,000
Decrease in financial assets at fair value from repurchase of Corporate Bonds		-	-	91,638
Acquisitions of property, plant and equipment through increased FOTAE		-	-	(32,939)

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

1. General information

History and development of the Company

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

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

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

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

The Company's economic and financial situation

In fiscal year 2016, the Company recorded, as it did in fiscal years 2012, 2013 and 2014, negative operating and net results, thus deteriorating once again its economic and financial situation, which had temporarily improved in 2015 as a consequence of the issuance by the SE of Resolution No. 32/15, which addressed the need for the adjustment of the distribution companies' resources and considered that the adoption of urgent and interim measures was necessary in order to maintain the normal provision of the public service, object of the concession.

This imbalance in the business equation was caused by the delay in the compliance with certain obligations under the Adjustment Agreement, especially with regard to both the recognition of the semiannual rate adjustments resulting from the MMC, and the carrying out of the RTI, mitigated by the adoption of certain interim measures.

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

As part of the measures aimed at the restructuring of the electricity sector, in January 2016, the MEyM issued Resolutions Nos. 6 and 7 and the ENRE its Resolution No. 1 (hereinafter the "Resolutions"), which approved a new electricity rate system that reflects the new generation cost and seeks to partially adjust the Distribution companies' revenue in order for them to be able to cover their operating costs and make investments. This new electricity rate system protects those sectors that cannot afford the full cost of the service through the creation of a "Social Tariff" and special tariffs for public welfare entities, is accompanied by a program aimed at reducing the consumption of electricity and provides for the billing of electricity consumption on a monthly basis in order to soften the impact of the increases on customers.

At the same time, the aforementioned MEyM Resolution No. 7/16 repealed SE Resolution No. 32/15, pursuant to which the government grant mentioned in the first paragraph of this Note had been granted, and instructed the ENRE to take all the necessary steps to conclude the RTI before December 31, 2016. In this regard, the ENRE issued the Resolution that approved the program for the Review of the distribution tariff, establishing the criteria and methodologies for the process. As a result, on October 28, 2016, the public hearing necessary to define the electricity rate schedule for the next period was held and the new electricity rate schedule, effective as from February 1, 2017, was issued (Note 2.c).III).

Despite these advances, as from May 2016, different courts granted provisional remedies ordering the temporary suspension of the Resolutions in all the Province of Buenos Aires.

Subsequently, and as a consequence of the judgment passed by the CSJN on September 6, 2016 in the "Abarca" case, whereby the provisional remedy granted by Division II of the Federal Appellate Court of La Plata (Note 2.c).VIII) was revoked, the MEyM through Resolution No. 197/16, and the ENRE by means of Resolution No. 523/16 set forth the modality of payment of the debt with the MEM for energy purchases, as well as the customer billing methodology, including the treatment to be given to the unpaid retroactive amounts as a consequence of the aforementioned provisional remedy.

Furthermore, with regard to the economic effects of the provisional remedies that affected La Matanza and Pilar jurisdictions, which suspended the application of MEyM Resolutions Nos. 6 and 7/16 and ENRE Resolution No. 1/16, the MEyM instructed CAMMESA to issue credit notes for the effects of the aforementioned provisional remedies.

In that regard, the Company has absorbed the higher costs associated with the provision of the service and complied with the execution of the investment plan and the carrying out of the essential operation and maintenance works that are necessary to maintain the provision of the public service in a satisfactory manner in terms of quality and safety, which, in a context of constant increase in the demand for electricity, has deteriorated the Company's economic and financial equation over all these years.

As a consequence of that which has been mentioned in this Note, as of December 31, 2016 the negative working capital amounts to $ 2.9 billion, which includes the amount owed to CAMMESA for $ 1.8 billion plus interest accrued as of December 31, 2016, in respect of which the Company has submitted a payment plan proposal based on available and projected cash flows. At the date of issuance of these financial statements, no reply from CAMMESA has yet been received.

In spite of this scenario, considering the application of the RTI as from February 1, 2017, the Company's Board of Directors is optimistic that the new electricity rates will result in the Company's operating once again under a regulatory framework with clear and precise rules, which will make it possible not only to cover the operation costs, afford the investment plans and meet debt interest payments, but also to deal with the impact of the different variables that affect the Company's business.

2. Regulatory framework

a) General

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

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

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

If the Company repeatedly fails to comply with the obligations assumed in the Concession Agreement, the grantor of the concession will be entitled to foreclose on the collateral granted by the majority shareholders by means of the pledge of the Class A shares and sell them in a Public Bid. This, however, will not affect the continuity of the Holder of the concession (Note 5.4).

Furthermore, the Concession Agreement may be rescinded in the event of the Distribution Company's undergoing bankruptcy proceedings. Additionally, if the Grantor of the Concession fails to discharge his obligations in such a manner that the Distribution Company is prevented from providing the Service or the Service is severely affected on a permanent basis, the Distribution Company may request, after demanding the regularization of such situation in a term of 90 days, that the agreement be rescinded. At the date of issuance of these financial statements, there have been no events of non-compliance by the Company that could be regarded as included within the scope of this situation.

b) Concession

The term of the concession is 95 years, which may be extended for an additional maximum period of 10 years. The term of the concession is divided into management periods: a first period of 15 years and subsequent periods of 10 years each. At the end of each management period, the Class "A" shares representing 51% of the capital stock of Edenor S.A., currently held by EASA, must be offered for sale through a public bidding. If EASA makes the highest bid, it will continue to hold the Class "A" shares, and no further disbursements will be necessary. On the contrary, if EASA is not the highest bidder, then the bidder who makes the highest bid shall pay EASA the amount of the bid in accordance with the conditions of the public bidding. The proceeds from the sale of the Class "A" shares will be delivered to EASA after deducting any amounts receivable to which the Grantor of the concession may be entitled. The first management period will end at the conclusion of the tariff period commenced on February 1, 2017 (5 years).

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

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

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

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

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

Moreover, on December 16, 2015, by Executive Order No. 134/15, the country's electricity sector was declared in a state of emergency. The declaration of the state of emergency and the measures to be adopted as a consequence thereof, as indicated in Section 2 of the aforementioned Executive Order, will remain in effect until December 31, 2017.

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

c) Electricity rate situation

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

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

The Adjustment Agreement provides for the following:

i) the implementation of a Temporary Tariff Structure effective as from November 1, 2005, including a 23% average increase in the distribution margin, which may not result in an increase in the average rate of more than 15%, and an additional 5% average increase in the VAD, allocated to certain specified capital expenditures;

ii) the requirement that during the term of said temporary tariff structure, dividend payment be subject to the approval of the regulatory authority;

iii) the establishment of a "Social Tariff" for the needy and the levels of quality of the service to be rendered;

iv) the suspension of the claims and legal actions filed by the Company and its shareholders in national or foreign courts due to the effects caused by the Economic Emergency Law;

v) the carrying out of a RTI which will result in a new tariff structure that will go into effect on a gradual basis and remain in effect for the following 5 years. In accordance with the provisions of Law No. 24,065, the ENRE will be in charge of such review;

vi) the implementation of a minimum investment plan in the electric network for an amount of $ 178.8 million to be fulfilled by the Company during 2006, plus an additional investment of $ 25.5 million should it be required;

vii) the adjustment of the penalties imposed by the ENRE that are payable to customers by way of discounts, which were notified by such regulatory agency prior to January 6, 2002 as well as of those that have been notified, or whose cause or origin has arisen in the period between January 6, 2002 and the date on which the Adjustment Agreement goes into effect through the date on which they are effectively paid, using, for such purpose, the average increase recorded in the Company's distribution costs as a result of the increases and adjustments granted at each date;

viii) the waiver of the penalties imposed by the ENRE that are payable to the National State, which have been notified, or their cause or origin has arisen in the period between January 6, 2002 and the date on which the Adjustment Agreement goes into effect;

The payment term of the penalties imposed by the ENRE, which are described in paragraph vii) above, is 180 days after the approval of the RTI in 14 semiannual installments. Those discounts have been early made as from December 2015 (Note 2.e).iii).

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

II. Breach of Adjustment Agreement

With the aim of ensuring the viability of the electricity supply continuity, safety and quality, the Adjustment Agreement provided for the creation of a Temporary Tariff Structure (RTT), pursuant to which the increase in the Company's costs would be recognized -during the period the RTT remained in effect- on a semiannual basis by means of the cost monitoring mechanism (MMC), and laid down the conditions for the RTT. That mechanism was only applied in the first three six-month periods, after which the Federal Government (through its different agencies) systematically failed to comply with the obligations assumed.

By means of MEyM Resolutions Nos. 6 and 7/16, and as from February 1, 2016, the current electricity rate schedule of Distribution companies is readjusted within the framework of the Temporary Tariff Structure, which is the adjustment of the existing electricity rate schedule by applying thereto the semiannual readjustment that was pending.

Additionally, the aforementioned MEyM Resolution No. 7/16 instructs the ENRE to carry out the RTI.

Finally, by means of ENRE Resolution No. 63/17 dated January 31, 2017, Note 2.c).III, the electricity rate schedule resulting from the RTI process, which will be applied by the Company as from February 1, 2017, is approved.

III. Tariff Structure Review

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

Although in the last years, the Grantor of the Concession adopted palliative measures – previously described in this Note 2.c), to allow for the operations to continue, such measures were partial and considered neither all the variables nor the essential elements of the rights and obligations deriving from the Concession Agreement.

Therefore, by means of MEyM Resolution No. 7/16, SE Resolution No. 32/15 was repealed and the ENRE was instructed to adopt measures, within its field of competence, to finish the RTI.

To that end, on April 1, 2016, the ENRE issued Resolution No. 55/16, which approved the program for the Review of the distribution tariff, which was carried out in 2016.

On September 5, 2016, the Company submitted its electricity rate schedule proposal for the next five years. For the purposes of the rate proposal, the Company:

(i) determined the capital base using for such purpose the depreciated Net Realizable Value (NRV) method;

(ii) submitted the 2017-2021 Investment Plan;

(iii) submitted a detail of the operating expenses; and

(iv) submitted all other data requested by the Regulatory Authority.

In accordance with the Work Plan and schedule duly fixed by the ENRE, on October 28, 2016, the public hearing was held as a preliminary step to define the electricity rate schedule for the next period.

Finally, on January 31, 2017, the ENRE issued Resolution No. 63/17, pursuant to which it determined the definitive Electricity Rate Schedules, the review of costs, the required quality levels, and all the other rights and obligations that are to be applied and complied with by the Company as from February 1, 2017. The above-mentioned regulation was adapted by the ENRE by means of the issuance of Resolutions Nos. 81/17, 82/17, and 92/17, and Note No. 124,898.

The aforementioned Resolution states that the ENRE, as instructed by the MEyM, shall limit the increase in the VAD resulting from the RTI process and applicable as from February 1, 2017, to a maximum of 42%, as compared to the VAD in effect at the date of issuance of the aforementioned resolution, with the remaining value of the new VAD being applied in two stages, the first of them in November 2017 and the last one in February 2018. Additionally, the ENRE shall recognize and allow the Company to bill the VAD difference arising as a consequence of the gradual application of the tariff increase recognized in the RTI in 48 installments as from February 1, 2018, which will be incorporated into the VAD's value resulting as of that date.

Notwithstanding the above, at the date of issuance of these financial statements, the definitive treatment to be given, by the MEyM, to all those unresolved issues resulting from the non-compliance with the Adjustment Agreement, including the remaining balances and other effects caused by the partial measures adopted, has yet to be defined.

These issues, among other, are the following:

i) the treatment to be given to the remaining balances of the amounts received for the fulfillment of the Investment Plan through the loans for consumption (mutuums) granted to cover the insufficiency of the funds deriving from the FOCEDE;

ii) the treatment to be given to the funds disbursed by the Company for the fulfillment of the Investment Plan, not included in i) above;

iii) the conditions for the settlement of the balance outstanding with CAMMESA at the date of issuance of SE Resolution No. 32/15, for which purpose the Company has submitted a payment plan;

iv) the treatment to be given to the Penalties and Discounts whose payment/crediting is pending.

IV. PUREE – MMC

By means of SE Resolution 250, dated May 7, 2013, and subsequent Notes, the SE:

a) Authorized the values of the adjustments resulting from the MMC for the period May 2007 through January 2015, determined in accordance with Section 4.2 of the Adjustment Agreement, but without initiating the review process contemplated in the event of variations exceeding 5%.

b) Assessed the Company's debt as of December 31, 2015 deriving from the application of the PUREE for the period May 2007 through January 2015.

c) Authorized the Company to offset until December 2014 the debt indicated in paragraph b) against and up to the amount of the receivable established in paragraph a), including interest, if any, on both amounts.

d) Instructed CAMMESA to issue LVFVD for the MMC surplus amounts after the offsetting process indicated in paragraph c) has been carried out.

e) Authorized CAMMESA to receive LVFVD as part payment for the past due debts deriving from the economic transactions of the MEM.

f) Instructed the Company to assign the credits from the surplus LVFVD, if there were any, after having complied with that established in the preceding paragraph, to the trust created under the terms of ENRE Resolution 347/12 (FOCEDE).

As of December 31, 2016, the Company recognized a total of $ 74 million for this concept, which is disclosed in the Higher costs recognition – SE Resolution No. 250/13 and Subsequent notes line item of the Statement of Comprehensive Income

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

V. ENRE Resolution No. 347/12

On November 23, 2012, the ENRE issued Resolution No. 347, pursuant to which distribution companies were authorized, as from the issuance thereof, to include in the bills a fixed amount for small-demand (T1) customers and a variable amount for medium and large-demand (T2 and T3) customers, to be calculated on a percentage of power charges.

As established in such Resolution, on November 29, 2012, the Company, in its capacity as Trustor, and Nación Fideicomisos S.A., as Trustee, entered into a private Financial and Management Trust Agreement, whereby the Company, as settlor of the trust, agreed to assign and transfer to the Trustee the fixed amounts set forth by ENRE Resolution No. 347/12 that are effectively collected, which will constitute the trust assets. Such agreement was ratified and approved by the Company's Board of Directors on December 11, 2012.

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

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

In this regard, said agreement stipulated that payment obligations under the VRD would be solely and exclusively the obligations of Nación Fideicomisos S.A. (to the extent that the trust assets were sufficient) and would not imply in any way whatsoever any guarantee or recourse against the Company, which in no case would be liable for the non-payment, whether total or partial, of any amount owed under the VRD or any other concept contemplated by the Trust Agreement duly signed. Moreover, and in view of the fact that the only income of the trust derived from the Company's contributions and, also, that the VRD accrued interest that was paid with the trust assets, the Company has decided to recognize the trust's net financial charges as other operating expense, which amounted to $ 14.7 million and $ 59.6 million in 2016 and 2015, respectively.

By MEyM Resolution No. 7/16, the SE is instructed to direct the Execution Committee of the Trusts to discontinue the transfers of resources to the Company, in the name and to the order of the Unified Fund of Law No. 24,065, as well as to adopt the necessary measures to terminate the trusts.

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

In this regard, and according to the provisions of ENRE Resolution No. 2/16, on June 23, 2016 the Company received $ 86.3 million as reimbursement for the amounts duly transferred to the FOCEDE. On July 20, 2016, the aforementioned trust was formally terminated and liquidated.

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

Due to the delay in obtaining the RTI, the Company lacked the necessary conditions to come to the financial market to make up the deficit of both its operations and the investment plans necessary to maintain the quality of the service, object of the concession. In order to deal with this situation, the Company has obtained from the Federal Government a series of measures such as the issuance of SE Resolution No. 250/13 (Note 2.c).IV) and ENRE Resolution No. 347/12 (Note 2.c).V), and the granting of loans for consumption (mutuums) to help it cope with its cash needs for specific purposes.

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

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

The Loans for consumption (Mutuums) granted until the issuance of MEyM Resolution No. 7/16 are detailed below:

Extraordinary Investment Plan - Temporary insufficiency of the revenue deriving from the FOCEDE:

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

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

In fiscal year 2015, the loan for consumption (mutuum) agreement was extended, as instructed by the SE to CAMMESA, for an additional amount of $ 2.3 billion.

As of December 31, 2016, the debt related to this concept amounts to $ 1.3 billion (comprised of $ 923.6 million principal and $ 423.2 million in accrued interest) which is disclosed in the Other non-current payables account.

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

Higher salary costs:

On June 24, 2014, by Note No. 4,012/14, the SE instructed CAMMESA to enter into a Loan for consumption (Mutuum) and assignment of secured receivables agreement with the Company in order to pay the higher salary costs. The aforementioned agreement was entered into on July 10, 2014.

The agreement was guaranteed by the Company with the assignment of the future surplus LVFVD to be issued due to the application of SE Resolution No. 250/13. At the date of issuance of these financial statements, the Company does not have any surplus LVFVD.

The aforementioned SE Resolution No. 32/15, Note 2.c).VIII, resolved that LVFVD be issued in favor of the Company for the amounts generated by the salary increases deriving from the application of Resolution No. 836/14 of the Ministry of Labor, Employment and Social Security for whose payment the Company received this loan for consumption (mutuum); allowing for the offsetting thereof against the outstanding balances for this concept. The LVFVD were issued on July 16, 2015.

In this regard, in fiscal year 2015, the Company recorded the total settlement of the $ 524.7 million liability for this concept, thus generating a positive result of $ 495.4 million related to the principal received, which has been disclosed in the "Recognition of income on account of the RTI – SE Resolution No. 32/15" line item of the Income Statement, and a positive result of $ 29.3 million, related to interest accrued, which has been disclosed in the "Financial expenses" line item of the Income Statement.

VII. SE Resolution No. 32/15

At the beginning of 2015, the SE issued Resolution No. 32/15, which, inter alia, granted the Company a temporary increase in income effective as from February 1, 2015, and on account of the RTI, in order for the Company to cover the expenses and afford the investments associated with the normal provision of the public service, object of the concession.

As from February 1, 2016, by means of MEyM Resolution No. 7/16, the aforementioned SE Resolution No. 32/15 was repealed and the application of the new electricity rate schedules came into effect.

As of December 31, 2016 and 2015, the Company has recognized for this concept $ 419.7 million and $ 5 billion, respectively, which are disclosed in the "Recognition of income on account of the RTI – SE Resolution No. 32/15" line item of the Statement of Comprehensive Income.

VIII. Provisional remedies

As from May 2016, the Company has been notified by several courts of the Province of Buenos Aires of the granting of provisional remedies requested by different customers, both individuals and groups of consumers, which all together accounted for more than 30% of the Company's sales, ordering the suspension of MEyM Resolutions Nos. 6 and 7/16 and ENRE Resolution No. 1/16 (authorizing tariff increases), retroactively to the date on which such resolutions came into effect, i.e. February 2016.

These measures required the Company to refrain from billing with the tariff increase and to return any amounts of the increases already collected by means of a credit in the customers' accounts to offset future electricity consumption.

The current status of the main provisional remedies is detailed below:

"Abarca":

On July 15, 2016 the ENRE notified the Company of the granting of a provisional remedy by Division II of the Federal Appellate Court of the City of La Plata, ordering the suspension of the tariff increases in all the Province of Buenos Aires for a period of three months to commence as from the date of issuance of such judicial order. In July, this measure impacted 80% of the Company's billing. As a consequence of the filing of a "Federal Extraordinary Appeal" ("*Recurso Extraordinario Federal*"), on September 6, 2016 the CSJN revoked the provisional remedy granted by Division II due to formal issues (lack of standing) but pronouncing no ruling on the main question at issue, which implies that, except in those districts of the Province of Buenos Aires where another provisional remedy remains in force, the applicable electricity rate schedule should be the one approved by ENRE Resolution No. 1/16. On September 27, 2016, the MEyM issued Resolution No. 197/16, instructing CAMMESA to invoice Distribution companies for the amounts unbilled in compliance with the provisional remedy herein described, in 4 equal and consecutive monthly installments. Furthermore, it instructed the ENRE to direct, in turn, Distribution companies to make this payment plan, with no interest or surcharges, available to customers (ENRE Note No. 523 dated September 29, 2016). At the date of these financial statements, this provisional remedy has no impact on the trade receivables recognized by the Company as of December 31, 2016.

"Fernández Francisco Manuel and Other Plaintiffs":

On August 3, 2016, the short-term provisional remedy (provisional relief that remains in effect until the Federal Government submits the report required by the law or the term provided for such purpose expires - "*medida cautelar interina*") requested in the action for the protection of a constitutional right that was violated ("*acción de amparo*") brought against the Federal Government (PEN and MEyM) and the ENRE was granted, declaring MEyM Resolutions Nos. 6 and 7/16 and ENRE Resolution No. 1/16 null and void and ordering CAMMESA to refrain from applying the new electricity rate schedule until the public hearing was held. On October 6, 2016, final judgment was passed, partially upholding the action brought and declaring the electricity rate schedule included in the aforementioned Resolutions inapplicable to small-demand (T1) customers, ordering the ENRE to instruct Distribution companies to allow customers, who consider themselves affected by the effects of the aforementioned Resolutions and at their sole request, to pay and have as settled the amounts owed as well as those accruing in the future, in accordance with the electricity rate system applied prior to ENRE Resolution No. 1/16. On October 25, 2016, by Note No. 123,177, the ENRE informed the Company that the referred to judgment had been appealed by the ENRE and the MEyM, that the appeals had been granted with a stay of execution, and, therefore, that until a decision on such judgment, whose enforcement had been stayed, was issued by the Appellate Court, the Company had to continue billing its customers in accordance with the rate resulting from the application of the Resolutions issued by the ENRE for such purpose. If the Appellate Court affirms the appealed judgment, the enforcement thereof may give rise to significant additional losses for the Company, inasmuch as small-demand (T1) customers represent 54% of the Company's revenue from sales.

"Ombudsman for the District of Pilar and Other Petitioners":

With regard to the provisional remedy granted against the MEyM in respect of the customers residing in the locality of Pilar, due to both the fact that the originally stipulated term thereof has expired due to the lapse of time and the fact that the joining thereof to the "*Fernández*" case had been ordered, it is inferred that the customers of the above-mentioned locality would be subject to the decision issued in such case and consequently included within the universe of customers subject to the "*Fernández*" ruling mentioned in the previous caption.

In this regard, by Note No. 123,967 dated December 28, 2016, the ENRE states that the Company may begin to collect from medium and large-demand (T2 and T3) customers of this jurisdiction the amounts related to the February 1-October 24, 2016 period for which their bills had been duly credited, in a number of installments equivalent to the number of bills affected by the compliance with the provisional remedy. Additionally, and at the customer's request, the established number of installments may be increased up to twice the number of those originally affected by the provisional remedy, in which case, an interest rate based on the BNA lending rate for discount operations will be charged.

With regard to residential customers, no decision has been taken by the ENRE, which has stated that it will be necessary to wait until final judgment is rendered by the competent judicial authority.

"Municipality of La Matanza and Other Petitioners":

The short-term provisional remedy (*medida cautelar interina*) granted on June 14, 2016 that benefitted the residents of the locality of La Matanza was appealed by all the affected parties, the MEyM, the ENRE and the Company. The appeal has been granted by the Court hearing the case and the proceedings are about to be sent to the Federal Appellate Court of San Martín for their treatment. That, without prejudice to the petition filed to have the action (*acción de amparo*) rejected, which is still pending resolution. However, an adverse ruling of the Appellate Court in the "Fernández" case would include the small-demand (T1) customers residing in La Matanza District and will have the effects mentioned above in this Note.

As in the case of the District of Pilar, by Note No. 123,967 the ENRE states that the rebilling of the amounts related to the February 1-November 14, 2016 period for which the customers' bills of this jurisdiction had been duly credited, will not take place until judgment on the main question at issue is rendered by the court.

As a consequence of the above-described situation, and in order to safeguard the provision of the public service of electricity distribution in a continuous and safe manner, the Company has had no alternative but to temporarily suspend payments to CAMMESA for energy purchases from July to November 2016.

For the balances related to La Matanza and Pilar jurisdictions, the MEyM instructed CAMMESA to issue credit notes for the provisional remedies that affected the application of MEyM Resolutions Nos. 6 and 41/16, seasonal prices, and ENRE Resolution No. 1/16, VAD.

In this regard, on December 26, 2016, CAMMESA notified the Company that, as instructed by the MEyM, Note No. 2016 04484723, it would issue credit notes for the negative effects generated by the provisional remedies that affected:

- the application of the seasonal prices set by MEyM Resolutions Nos. 6 and 41/16, for the periods pending as of that date; and
- the application of the electricity rates set by ENRE Resolution No. 1/16.

Once the conditions and time frames for the billing of the concepts covered by the above-mentioned provisional remedies have been set out by the ENRE, the Company will issue the bills to its customers and transfer those values to CAMMESA.

The total effects of the credit notes issued for these concepts are detailed below:

	Res. MEyM N° 6 y 41 /16	Res. ENRE N° 1/16
Payables for purchase of electricity - CAMMESA	(270)	(1,126)
Purchase of electricity	270	-
Income recognition of Note MEyM N° 2016-04484723	-	(1,126)

Additionally, based on the credit notes issued, CAMMESA has credited the interest amounts billed commensurate with the extent thereof.

IX. MEyM Resolution No. 6/16 – Seasonal reference prices

By means of MEyM Resolution No. 6/16 the MEM summer quarterly rescheduling relating to the February 1-April 30, 2016 period is carried out.

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

i) Power: $ 1,427.60/MW month

ii) Energy: $ 773.02/Mwh, $ 768.72/Mwh, $ 763.89/Mwh, in peak hours, other hours and off-peak hours, respectively.

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

i) Monthly consumption of up to 150 Kwh/month. $ 0.00 / Mwh.

ii) Monthly consumption exceeding 150 kwh/month,

i. if it is lower than or equal to the consumption recorded in the same month of 2015, the reference prices will be $ 31.39/Mwh, $ 27.09/Mwh, $ 22.26/Mwh, in peak hours, other hours and off-peak hours, respectively.

ii. if it is higher than the consumption recorded in the same month of 2015, the reference prices will be $ 312.39 /Mwh, $ 317.09/Mwh, $ 312.26/Mwh, in peak hours, other hours and off-peak hours, respectively.

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

X. MEyM Resolution No. 7/16 and its effects

By MEyM Resolution No. 7/16 the ENRE is instructed to adjust the VAD in electricity rate schedules, on account of the RTI, and to take all the necessary steps to carry out the RTI before December 31, 2016.

Furthermore, the aforementioned Resolution provided for: (i) the cancellation of the PUREE (Note 2.c).IV); (ii) the revocation of SE Resolution No. 32/15 as from the date on which the ENRE's Resolution that implements the electricity rate schedule comes into effect (Note 2.c).VII); (iii) the suspension until further instruction of all the effects of the loans for consumption (mutuums) agreements entered into by and between the Distribution companies and CAMMESA (Note 2.c).VI); (iv) the implementation of the necessary actions to end the trusts created by ENRE Resolution No. 347/12 (Note 2.c).V); the restriction on the distribution of dividends in accordance with the provisions of clause 7.4 of the Adjustment Agreement (Note 18).

XI. ENRE Resolution No. 290/16

By means of ENRE Resolution N° 290/16, applicable to Edenor S.A. and Edesur S.A., the ENRE instructed Distribution companies to eliminate the six per thousand surcharge established by Section 1 of Law No. 23,681, as from the billings that include meter-reading dates subsequent to the date on which Decree No. 695/16 came into effect, inasmuch as both the interconnection construction works and the transfers of funds duly made by the Federal Government in favor of the province of Santa Cruz, have been complied with.

d) Framework agreement

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

On July 22, 2011, the Company, the Federal Government, and the Government of the Province of Buenos Aires entered into the last Addendum for the renewal for a term of four years (from January 1, 2011 through December 31, 2014) of the New Framework Agreement that had been signed on October 6, 2003. Such extension was approved on September 21, 2012 by Resolution No. 248/12 issued by the ENRE and ratified by Resolution No. 247/12 of the MPFIPyS.

With regard to the amount receivable the Company has with the Province of Buenos Aires, on October 18, 2012 the Company entered into an Agreement for the Settlement of Non-financial Obligations and Subscription of Buenos Aires Province Government Bonds, pursuant to which the Company agreed to receive an amount of $ 0.3 million in cash and subscribe Series B Bonds for a residual nominal value of $ 6.1 million, as settlement of the debt that as of December 31, 2010 such Province had with the Company for the electric power supplied to low-income areas.

During the months of May and July the Company received payments, relating to the 2014 period, for $ 11.4 million and $ 53.5 million, respectively from the Provincial and the Federal Governments.

Due to the fact that at the date of these financial statements the approval of the new Framework Agreement for the period of January 1, 2015 through December 31, 2018 by the Federal Government and the Government of the Province of Buenos Aires is still in process, no revenue for this concept has been recognized, which as of December 31, 2016 amounted to $ 92.4 million.

e) Penalties

i. General

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

As of December 31, 2016 and 2015, the Company has recognized in its financial statements the penalties accrued, whether imposed or not yet issued by the ENRE, related to the control periods elapsed as of those dates.

By means of ENRE Note No. 120,151 dated April 15, 2016, which establishes the new criterion to calculate penalties, the Company is informed that for purposes of calculating penalty amounts, the values to be applied are the kWh values in effect at the last day of the six-month period analyzed in which the penalizable event is detected, with the increases recorded in the "remuneration" as a consequence of the increases and adjustments granted as of that date. The effect of this resolution for the September 2015-February 2016 six-month period and subsequent periods has been recorded during the year ended December 31, 2016.

Furthermore, it is stated that the resulting amounts determined as indicated in the preceding paragraph, accrue interest at the BNA lending rate for thirty-day operations from the date on which they are determined until the Customer's account is actually credited, effect which the Company has recorded in its financial statements.

Additionally, by Note No. 123,091 dated October 19, 2016, the ENRE set the average rate values ($/KWh) to be applied as from December 2012 for the penalties payable to the Public Administration. In accordance with the terms of the Concession Agreement, such values relate to the average sale price of energy charged to customers. Due to the fact that the amounts informed in the above-mentioned note are not in agreement with such concept, on November 1, 2016, the Company submitted a note to the ENRE requesting the rectification of the amounts informed because they are considered erroneous. At the date of issuance of these financial statements, said Note has not been answered.

In the case that in the ENRE's reply to the Note referred to in the preceding paragraph, the term "remuneration" were interpreted by the ENRE as to include all the amounts received in the form of, for example, government grants, the amount of the provision for penalties could increase significantly. The Company believes that such interpretation would be contrary to the terms of the Concession Agreement.

Furthermore, ENRE Resolution No. 63/17, Note 2.c).III, has set out the control procedures, the service quality assessment methodologies, and the penalty system, applicable as from February 1, 2017, for the 2017 – 2021 period.

ii. Compensation payable to Customers

On March 21, 2016, the ENRE issued Resolution No. 31/16, pursuant to which it was provided that each small-demand residential customer (T1R) who suffered power outages between February 12 and 18, 2016 must be paid a compensation of at least (i) six hundred pesos if the power cut lasted more than 12 continuous hours but did not exceed 24 continuous hours; (ii) nine hundred thirty-one pesos if the power cut lasted more than 24 continuous hours but did not exceed 48 hours; and (iii) one thousand sixty-five pesos if the power cut lasted more than 48 continuous hours.

The total amount of the compensation payable to customers by way of discounts amounted $ 73 million, which was credited to customer bills issued as from April 25, 2016.

iii. Discounts to customers

The Company began to credit Customer bills issued as from December 22, 2015 for the penalties included in clauses 9.2.1 and 9.2.2 of the Adjustment Agreement, as well as the adjustments thereof (Note 2.c).I.vii)), for $ 152.2 million. The Company finished crediting customer bills for these amounts in the first two months of 2016. Additionally, an amount of $ 36 million in compensation and adjustments was made available to the customers who as of December 22, 2015 had no active service. Such amount has not yet been settled.

iv. Payment agreements

From May, 2014 through December 31, 2015, the Company entered into three payment plan agreements with the Regulatory Agency pursuant to which it agreed to pay the penalties that had been ratified by the judicial authority for a total of $ 85.7 million, plus interest for $ 84.2 million. As of the December 31, 2016, payment plan agreements Nos. 1 and 2 have been complied with in due time and proper manner. With regard to payment plan agreement No. 3, the outstanding balance amounts to $ 47.5 million, which is disclosed in the ENRE Penalties and Discounts line item of the Other payables account within current and non-current liabilities.

Furthermore, and owing to the setting of fees in favor of ENRE professionals who acted in execution proceedings, the Company entered into two payment agreements for a total principal amount of $ 18.7 million, plus interest. As of December 31, 2016, the outstanding balances of principal and interest accrued under payment agreement No. 2 amounted to $ 16.6 million and $ 0.4 million, respectively, which will be paid in 60 installments. The first payment agreement has been complied with in due time and proper manner. They are disclosed in the Other payables account within current and non-current liabilities.

f) Stabilization factor

By Note No. 2,883 dated May 8, 2012 (reference Resolutions MEyFP No. 693/11 and MPFIPyS No. 1,900/11), the SE had implemented a mechanism whose objective was to keep the amounts billed to residential customers throughout the year stable, thereby minimizing the effects of the seasonal consumption of electricity.

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

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

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

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

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

Other restrictions:

- In connection with the issuance of Corporate Notes, during the term thereof, EASA is required to be the beneficial owner and owner of record of not less than 51% of the Company's issued, voting and outstanding shares.

- In connection with the Adjustment Agreement signed with the Grantor of the Concession and ratified by Executive Order No. 1,957/06, Section 10 stipulates that from the signing of the agreement through the end of the Contractual Transition Period, the majority shareholders may not modify their ownership interest nor sell their shares.

- In connection with the restructuring of the totality of EASA's financial debt, if EASA did not comply with its payment obligations under the new debt, its creditors could obtain an attachment order against the Company's Class A shares held by EASA, and, consequently, the Argentine Government would be entitled, as stipulated in the concession agreement, to foreclose on the pledged shares.

h) Concession of the use of real property

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

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

3. Basis of preparation

The financial statements for the year ended December 31, 2016 have been prepared in accordance with IFRS issued by the IASB and IFRIC interpretations, incorporated by the CNV.

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

These financial statements were approved for issue by the Company's Board of Directors on March 8, 2017.

Comparative information

The balances as of December 31, 2015 and 2014, disclosed in these financial statements for comparative purposes, arise from the financial statements as of that date.

On July 26, 2016, and at the SEC's request, the Company restated its financial statements for the year ended December 31, 2015 and 2014, with the aim of reclassifying in the Statement of Cash Flows the values related to the loan for consumption (mutuum) agreements duly entered into with CAMMESA.

Accordingly, the Company's Statement of Cash Flows for the year ended December 31, 2015 and 2014 has been reviewed to present the cash inflows related to such agreements within financing activities in the Statement of Cash Flows, instead of operating activities as previously presented. Also, the increase in the balances of the loans with CAMMESA for funds received by the FOCEDE for the year ended December 31, 2015 and 2014 is now presented as a non-cash transaction in the supplementary disclosures to the Statement of Cash Flows instead of operating activities as previously presented.

This correction to the financial statements impacted only the Statement of Cash Flows, there being no impact on the statements of financial position, comprehensive income, or equity, or on the basic and diluted (loss) earnings per share.

	12.31.15		
	Published balances	**adjustments**	**Restated balances**
Cash flows generated by operating activities	3,217,011	(214,894) (1)	**3,002,117**
Cash flows from financing activities	(172,923)	214,894 (1)	**41,971**
Non-cash activities			
Amounts received from CAMMESA through FOCEDE	-	723,616 (2)	**723,616**
Decrease from offset of other liabilities with CAMMESA for loans for consumption (Mutuums) granted for higher salary costs (SE Resolution 32/15)	(495,516) (3)	-	**(495,516)**

	12.31.14		
	Published balances	**adjustments**	**Restated balances**
Cash flows generated by operating activities	1,547,990	(380,622) (4)	**1,167,368**
Cash flows from financing activities	(155,675)	380,622 (4)	**224,947**
Non-cash activities			
Amounts received from CAMMESA through FOCEDE	-	100,000 (2)	**100,000**

(1) Relates to the loan for consumption (mutuum) for salaries that was disclosed in the Statement of Cash Flows under the heading "Increase in trade payables and loans for consumption (mutuums) with CAMMESA" (Note 2.c).VIII to the financial statements as of December 31, 2015).

(2) Relates to the loan for consumption (mutuum) for investments (Note 2.c).VIII to the financial statements as of December 31, 2015 and 2014).

(3) Relates to the amounts received in accordance with the provisions of SE Resolution No. 32/15, pursuant to which the loan for consumption (mutuum) for salaries may be offset against those funds (Note 2.c).IX to the financial statements as of December 31, 2015).

(4) Relates to the loan for consumption (mutuum) for salaries and for investments that were disclosed in the Statement of Cash Flows under the heading "Increase in trade payables and loans for consumption (mutuums) with CAMMESA" (Note 2.c).VI to the financial statements as of December 31, 2014) for $ 280.6 million and $ 100 million, respectively.

Financial reporting in hyperinflationary economies

IAS 29 "Financial reporting in hyperinflationary economies" requires that the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy, whether they are based on the historical cost method or the current cost method, be stated in terms of the measuring unit current at the closing date of the reporting year. For such purpose, in general terms, the inflation produced from the acquisition date or the revaluation date, as applicable, must be computed in non-monetary items. In order to conclude whether the economy is a hyperinflationary economy, the standard details a series of factors to be considered, among which the existence of a cumulative inflation rate over three years that approaches or exceeds 100% is included. Taking into consideration the inconsistency of the published inflation data, the downward trend of the level of inflation, the fact that the other indicators are insufficient to reach a definite conclusion, and the fact that the current legal framework does not allow for the filing with control authorities of inflation-adjusted financial statements, and in line with the International Practices Task Force's conclusion, there is insufficient evidence to conclude that Argentina's economy is a hyperinflationary economy as of December 31, 2016. Therefore, the restatement criteria established in IAS 29 have not been applied in the reporting year.

Although the Argentine economy does not meet the necessary conditions to qualify as a hyperinflationary economy in accordance with IAS 29, and taking into account the legal and regulatory limitations imposed by professional bodies and control authorities for the preparation of adjusted financial statements, as of December 31, 2016 it must be mentioned that certain macroeconomic variables that affect the Company's business, such as salary costs and the prices of supplies, have suffered somewhat important annual variations, a circumstance that must be taken into account when evaluating and interpreting the Company's financial position and results of operations in these financial statements.

4. Accounting policies

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

Note 4.1 | Changes in the accounting policies

Note 4.1.1 | New standards, amendments and interpretations effective as of December 31, 2016 and adopted by the Company:

IAS 1 *"Presentation of financial statements"*: the application by the Company of the issued amendments implied the disaggregation of the items related to the Company's share of other comprehensive income of equity-accounted associates and joint ventures.

Note 4.1.2 | New standards, amendments and interpretations not effective and not early adopted by the Company:

IFRS 16 "Leases": On January 13, 2016, the IASB published IFRS 16, which replaces the current guidance in IAS 17. The standard defines a lease as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. The standard requires the recognition of a lease liability that reflects future lease payments and a 'right-of-use asset' for almost all lease contracts. This is a significant change compared to IAS 17 under which lessees were required to make a distinction between a finance lease (reported on the balance sheet) and an operating lease (off balance sheet). IFRS 16 contains an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019.

IAS 7 "*Statement of cash flows*": In February 2016, the IASB published an amendment pursuant to which an entity is required to disclose information that will enable users of financial statements to understand changes in liabilities arising from financing activities. This includes changes arising from cash flows, such as drawdowns and repayments of borrowings; and non-cash changes, such as acquisitions, disposals and unrealized exchange differences. The amendment is effective for annual periods beginning on or after January 1, 2017.

IAS 12 "*Income taxes*": In February 2016, the IASB published amendments to clarify the requirements for recognizing deferred tax assets on unrealized losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets. The amendments are effective from January 1, 2017.

IFRS 2 "*Share based payments*": In June 2016, an amendment was published to clarify the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. The amendment is effective for annual periods beginning on or after January 1, 2018.

IFRS 15 "*Revenue from contracts with customers*": It was issued in May 2014 and is effective, as subsequently modified in September 2015, for annual periods beginning on or after January 1, 2018. It deals with the principles for the recognition of revenue and sets disclosure requirements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The core principle implies the recognition of revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Company is currently assessing the impact of these new standards and amendments.

Note 4.2 | Property, plant and equipment

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

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

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

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

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

Land is not depreciated.

Facilities in service: between 30 and 50 years

Furniture, tools and equipment: between 5 and 20 years

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

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

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

Note 4.3 | Interests in joint ventures

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

i. A joint arrangement takes place among two or more parties when they have joint control: joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

ii. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Such parties are called joint venturers.

iii. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. These parties are called joint operators.

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

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

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

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

Note 4.4 | Revenue recognition

i. Revenue from sales

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

Revenue from the electricity provided by the Company to low-income areas and shantytowns is recognized to the extent that a renewal of the Framework Agreement is formalized for the period in which the service was rendered. At the date of issuance of these financial statements, the Company's Board of Directors is negotiating with the Federal and Provincial Governments the signing of the respective agreements.

Revenue from operations is recognized on an accrual basis and derives mainly from electricity distribution. Such revenue includes both the electricity supplied, whether billed or unbilled at the end of each year, which has been valued on the basis of applicable tariffs (except for that described in Note 2.c).VIII), and the charges resulting from the application of ENRE Resolution No. 347/12 (Note 2.c).V).

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

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

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

ii. Interest income

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

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

Note 4.5 | Effects of the changes in foreign currency exchange rates

a. Functional and presentation currency

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

b. Transactions and balances

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

The foreign currency exchange rates used are: the bid price for monetary assets, the offer price for monetary liabilities, and the specific exchange rate for foreign currency denominated transactions.

Note 4.6 | Trade and other receivables

a. Trade receivables

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

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

The amounts thus determined are net of an allowance for the impairment of receivables. Any debt arising from the bills for electricity consumption that remain unpaid 13 working days after their due dates for small-demand (T1) customers and 7 working days after due date for medium and large-demand (T2 and T3) customers is considered a delinquent balance. The uncollectibility rate is determined per customer category based on the historical comparison of collections made and delinquent balances of each customer group.

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

b. Other receivables

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

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

Note 4.7 | Inventories

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

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

Cost is determined by applying the weighted average price (WAP) method.

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

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

Note 4.8 | Financial assets

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

Note 4.8.1 | Classification

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

a. Financial assets at amortized cost

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

i. the objective of the Company's business model is to hold the assets to collect the contractual cash flows; and

ii. the contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal.

b. Financial assets at fair value

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

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

Note 4.8.2 | Recognition and measurement

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

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

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

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

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

Note 4.8.3 | Impairment of financial assets

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

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

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

Note 4.8.4 | Offsetting of financial instruments

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

Note 4.9 | Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the respective contract is signed. Subsequently to the initial recognition, they are remeasured at their fair value. The method for recognizing the resulting loss or gain depends on whether the derivative has been designated as a hedging instrument and, if that is the case, on the nature of the item being hedged. As of December 31, 2016 and 2015, the economic impact of these transactions is recorded in the Other financial expense account of the Statement of Comprehensive Income.

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

At the date of issuance of these financial statements the Company has not entered into futures contracts to buy US dollars.

As of December 31, 2016, the economic impact of the transactions carried out in the fiscal year resulted in a loss of $ 11.9 million, which is recorded in the Other financial expense account of the Statement of Comprehensive Income.

Note 4.10 | Cash and cash equivalents

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

i. Cash and banks in local currency: at nominal value.

ii. Cash and banks in foreign currency: at the exchange rates in effect at the end of the year.

iii. Money market funds, which have been valued at the prevailing market price at the end of the year. Those that do not qualify as cash equivalents are disclosed in the Financial assets at fair value through profit or loss account.

Note 4.11 | Equity

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

a. Share capital

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

b. Treasury stock

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

c. Other comprehensive income (loss)

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

d. Retained earnings

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

Note 4.12 | Trade and other payables

a. Trade payables

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

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

b. Customer deposits

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

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

i. When the power supply is requested and the customer is unable to provide evidence of his legal ownership of the premises;

ii. When service has been suspended more than once in one-year period;

iii. When the power supply is reconnected and the Company is able to verify the illegal use of the service (fraud).

iv. When the customer is undergoing liquidated bankruptcy or reorganization proceedings.

The Company has decided not to request customer deposits from residential tariff customers.

Customer deposits may be either paid in cash or through the customer's bill and accrue monthly interest at a specific rate of BNA for each customer category.

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

c. Customer contributions

Refundable: The Company receives assets or facilities (or the cash necessary to acquire or built them) from certain customers for services to be provided, based on individual agreements and the provisions of ENRE Resolution No. 215/12. These contributions are initially recognized as trade payables at fair value with a contra-account in Property, plant and equipment, and subsequently measured at amortized cost using the effective interest rate method.

d. Other payables

The other payables recorded in Other Payables, including the loans for consumption (mutuums) with CAMMESA (Note 2.c).VI), the Payment agreement with the ENRE (Note 2.e).IV) and the advances for the execution of works, are initially recognized at fair value and subsequently measured at amortized cost.

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

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

Note 4.13 | Borrowings

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

Note 4.14 | Deferred revenue

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

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

Note 4.15 | Employee benefits

Benefit plans

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

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

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

a. Past service costs are recognized immediately in profit or loss, unless the changes to the benefit plan are conditional on the employees' remaining in service for a specified period of time (the vesting period). In this case, past service costs are amortized on a straight-line basis over the vesting period.

b. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income in the period in which they arise.

Note 4.16 | Income tax and tax on minimum presumed income

a. Deferred income tax

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

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

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

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

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

b. Tax on minimum presumed income

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

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

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

Note 4.17 | Assignments of use

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

a. As assignee

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

b. As assignor

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

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

Note 4.18 | Provisions and contingencies

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

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

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

Note 4.19 | Balances with related parties

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

Note 4.20 | Higher costs and income recognition

The recognition of higher costs (Note 2.c).IV) not transferred to the tariff, the recognition established by SE Resolution No. 32/15 (Note 2.c).VII), as well as the recognition of income due to the effect of the provisional remedies related to Pilar and La Matanza localities (Note 2.c).VIII) fall within the scope of IAS 20 inasmuch as they imply a compensation to cover the expenses and afford the investments associated with the normal provision of the public service, object of the concession.

Their recognition is made at fair value when there is reasonable assurance that they will be collected and the conditions attached thereto have been complied with, i.e. provision of the service in the case of the recognition established in SE Resolution No. 32/15, and the ENRE's approval and the SE's recognition, by means of a Note or Resolution, in the case of the recognition of higher costs.

As for the income deriving from the funds to which SE Resolution No. 745/05 refers, it was recognized on the basis of amounts billed.

Such concepts have been disclosed in the "Recognition of income on account of the RTI – Resolution 32/15", "Higher Costs Recognition - SE Resolution 250/13 and Subsequent notes", and "Recognition of income – provisional remedies – MEyM Note No. 2016-04484723" line items of the Statement of Comprehensive Income as of December 31, 2016 and 2015, recognizing the related tax effects. There have been no unfulfilled conditions or any other related contingencies.

Note 4.21 | Share-based Compensation Plan

The Company has share-based compensation plans under which it receives services from some employees in exchange for the Company's shares. The fair value of the employee services received is recognized as an operating expense in the "Salaries and social security taxes" line item. The total amount of the referred to expense is determined by reference to the fair value of the shares granted.

When the employees provide the services before the shares are granted, the fair value at the grant date is estimated in order to recognize the respective result.

5. Financial risk management

Note 5.1 | Financial risk factors

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

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

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

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

a. Market risks

i. Currency risk

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

If the Company continued to be unable to effectively hedge all or a significant part of its exposure to currency risk, any devaluation of the peso could significantly increase its debt service burden, which, in turn, could have a substantial adverse effect on its financial and cash position (including its ability to repay its Corporate Notes) and the results of its operations. The exchange rates used as of December 31, 2016 and 2015 are $ 15.89 and $ 13.04 per USD, respectively.

As of December 31, 2016 and 2015, the Company's balances in foreign currency are as follow:

	Currency	Amount in foreign currency	Exchange rate (1)	Total 12.31.16	Total 12.31.15
ASSETS					
CURRENT ASSETS					
Other receivables	USD	-	15.790	-	11,193
Cash and cash equivalents	USD	10,244	15.790	161,753	10,607
	EUR	12	16.625	200	181
TOTAL CURRENT ASSETS		**10,256**		**161,953**	**21,981**
TOTAL ASSETS		**10,256**		**161,953**	**21,981**
LIABILITIES					
NON-CURRENT LIABILITIES					
Borrowings	USD	174,298	15.890	2,769,599	2,341,098
Related parties	USD	-	15.890	-	119,877
TOTAL NON-CURRENT LIABILITIES		**174,298**		**2,769,599**	**2,460,975**
CURRENT LIABILITIES					
Trade payables	USD	11,108	15.890	176,506	185,900
	EUR	7	16.770	117	12,063
	CHF	30	15.636	469	397
	NOK	68	1.854	126	101
Borrowings	USD	3,378	15.890	53,684	46,688
Related parties	USD	-	15.890	-	2,110
TOTAL CURRENT LIABILITIES		**14,591**		**230,902**	**247,259**
TOTAL LIABILITIES		**188,889**		**3,000,501**	**2,708,234**

(1) The Exchange rates used are the BNA exchange rates in effect as of December 31, 2016 for US Dollars (USD), Euros (EUR), Swiss Francs (CHF) and Norwegian Krones (NOK).

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

	12.31.16	12.31.15
Net position Assets/(Liabilities)		
US dollar	(2,838,036)	(2,673,873)
Euro	83	(11,882)
Norwegian krone	(126)	(101)
Swiss franc	(469)	(397)
Total	**(2,838,548)**	**(2,686,253)**

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

	12.31.16	12.31.15
Net position Assets/(Liabilities)		
US dollar	(283,804)	(267,387)
Euro	8	(1,188)
Norwegian krone	(13)	(10)
Swiss franc	(47)	(40)
Decrease in the results of operations for the year	**(283,856)**	**(268,625)**

ii. Price risk

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

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

iii. Interest rate risk

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

Indebtedness at floating rates exposes the Company to interest rate risk on its cash flows. Indebtedness at fixed rates exposes the Company to interest rate risk on the fair value of its liabilities. As of December 31, 2016 and 2015, 100% of the loans were obtained at fixed interest rates. The Company's policy is to keep the highest percentage of its indebtedness in instruments that accrue interest at fixed rates.

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

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

	12.31.16	12.31.15
Fixed rate:		
US dollar	2,823,283	2,509,773
Total loans	**2,823,283**	**2,509,773**

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

b. Credit risk

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

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

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

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

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

The Company has different procedures in place to reduce energy losses and allow for the collection of the balances owed by its customers. The Commercial Department periodically monitors compliance with the above-mentioned procedures.

Delinquent trade receivables increased from $ 209.3 million as of December 31, 2015 to $ 658.8 million as of December 31, 2016, due to different provisional remedies that temporarily suspended the tariff increase applicable as from February 1, 2016, established by ENRE Resolution No. 1/16.

One of the significant items of delinquent balances is that related to the receivable amounts with Municipalities, in respect of which the Company either applies different offsetting mechanisms against municipal taxes it collects in the name and to the order of those government bodies, or implements debt refinancing plans, with the aim of reducing them.

Furthermore, and taking into account that in fiscal year 2016 the ENRE prevented the Company from suspending the electricity supply to customers with delinquent balances, the Company's actions to reduce the impact of delinquency were limited. Therefore, at the date of issuance of these financial statements the Company's Board of Directors is analyzing the plans of action it will implement in order to reinforce the activities aimed at reducing delinquent balances.

Additionally, it is important to point out that in fiscal year 2016 it was possible to collect more than 50% of the delinquent receivables existing as of December 31, 2015.

Finally, and with regard to the electricity supplied to low-income areas, as stipulated in the Adjustment Agreement (Note 2.d), in fiscal year 2016 the Company received payments for a total of $ 64.9 million, which represents 89% of the outstanding balance as of December 31, 2015. Past experience shows that these balances have always been collected.

At each year-end, the Company analyzes whether the recording of an impairment is necessary. As of December 31, 2016 and 2015, delinquent trade receivables totaled approximately $ 658.8 million and $ 209.3 million, respectively. As of December 31, 2016 and 2015, the financial statements included allowances for $ 259.7 million and $ 79.4 million, respectively. The inability to collect the accounts receivable in the future could have an adverse effect on the Company's results of operations and its financial position, which, in turn, could have an adverse effect on the Company's ability to repay loans, including payment of the Corporate Notes.

The balances of the bills for electricity consumption that remain unpaid 13 working days after the bills' due dates for small-demand (T1) customers and 7 working days after due dates for medium and large-demand (T2 and T3) customers, are considered delinquent trade receivables. Additionally, the amounts related to the Framework Agreement are not considered within delinquent balances.

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

c. Liquidity risk

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

Cash surpluses held by the Company and the balances in excess of the amounts required to manage working capital are invested in Money Market Funds and/or time deposits that accrue interest, currency deposits and securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient margin as determined in the aforementioned projections. As of December 31, 2016 and 2015, the Company's current financial assets at fair value amount to $ 2 billion and $ 1.5 billion, respectively, which are expected to generate immediate cash inflows to manage the liquidity risk.

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

	No deadline	Less than 3 months	From 3 months to 1 year	From 1 to 2 years	From 2 to 5 years	More than 5 years	Total
As of December 31, 2016							
Trade and other payables	4,907,204	3,937,598	3,018,225	310,860	118,174	-	12,292,061
Borrowings	-	-	288,494	288,494	865,481	2,947,068	4,389,537
Total	**4,907,204**	**3,937,598**	**3,306,719**	**599,354**	**983,655**	**2,947,068**	**16,681,598**
As of December 31, 2015							
Trade and other payables	2,391,878	4,322,334	304,771	134,943	90,023	-	7,243,949
Borrowings	-	-	256,959	439,325	710,250	2,655,238	4,061,772
Total	**2,391,878**	**4,322,334**	**561,730**	**574,268**	**800,273**	**2,655,238**	**11,305,721**

Note 5.2 | Concentration risk factors

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a. Related to customers

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

No single customer accounted for more than 10% of sales for the years ended December 31, 2016 and 2015. The collectibility of trade receivables balances related to the Framework Agreement, which amount to $ 8.2 million and $ 73.1 million as of December 31, 2016 and 2015, respectively, as disclosed in Note 2.d), is subject to compliance with the terms of such agreement.

b. Related to employees who are union members

As of December 31, 2016, 85.5% of the Company's employees are union members, Sindicato de Luz y Fuerza de Capital Federal (Electric Light and Power Labor Union Federal Capital) (73%) and Asociación del Personal Superior de Empresas de Energía (Association of Supervisory Personnel of Energy Companies) (12.5%). These employees labor cost depends on negotiations between the Company and the unions; a sensitive change in employment conditions generates a significant impact on the Company's labor costs.

On January 18, 2016, the Company entered into two agreements, one with the Sindicato de Luz y Fuerza de Capital Federal and another one with the Asociación del Personal Superior de Empresas de Energía, pursuant to which the Company agreed to grant, on a voluntary and one-time basis, an extraordinary bonus not regarded as a salary item (i.e. included in the salary but not subject to social security charges nor considered for the payment of the mid and year-end bonus) of $ 5,000 to all the employees subject to the collective bargaining agreements of the aforementioned union/association. The bonus was paid in two installments of $ 2,000 and $ 3,000 on January 21, 2016 and March 21, 2016, respectively.

Also, on December 20, 2016 an Agreement was signed with the Sindicato de Luz y Fuerza Capital Federal, which provides for the following:

- A salary increase of 6% from November 2016.
- A salary increase of 6% from March 2017.
- A voluntary one-time extraordinary bonus not regarded as a salary item of $10,000, payable in 2 installments of $ 5,000 each on January 20, 2017 and February 20, 2017, respectively.

The aforementioned agreements apply also to the contractors whose workers are included in the collective bargaining agreements of the above-mentioned union as well as non-unionized personnel.

Note 5.3 | Capital risk management

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

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

As of December 31, 2016 and 2015, gearing ratios were as follow:

	12.31.16	12.31.15
Total liabilities	18,571,698	11,455,876
Less: cash and cash equivalents	(258,562)	(128,952)
Net debt	18,313,136	11,326,924
Total Equity	361,832	1,525,053
Total capital attributable to owners	18,674,968	12,851,977
Gearing ratio	**98.06%**	**88.13%**

Note 5.4 | Regulatory risk factors

Pursuant to caption C of Section 37 of the Concession Agreement, the Grantor of the Concession may, without prejudice to other rights to which he is entitled thereunder, foreclose on the collateral granted by the Company when the cumulative value of the penalties imposed to the Company in the previous one-year period exceeds 20% of its annual billing, net of taxes and rates.

The Company's Management evaluates the development of this indicator on an annual basis.

Note 5.5 | Fair value estimate

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

· **Level 1**: quoted prices (unadjusted) in active markets for identical assets or liabilities.

· **Level 2**: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from the prices).

· **Level 3**: inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below shows the Company's financial assets measured at fair value as of December 31, 2016 and 2015:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
At December 31, 2016				
Assets				
Cash and cash equivalents				
Money market funds	61,461	-	-	61,461
Financial assets at fair value through profit or loss:				
Government bonds	387,279	-	-	387,279
Other receivables	28,839	-	-	28,839
Money market funds	1,606,636	-	-	1,606,636
Total assets	**2,084,215**	**-**	**-**	**2,084,215**
At December 31, 2015				
Assets				
Cash and cash equivalents				
Money market funds	93,488	-	-	93,488
Financial assets at fair value through profit or loss:				
Government bonds	370,161	-	-	370,161
Other receivables	43,219	-	-	43,219
Money market funds	1,213,840	-	-	1,213,840
Derivative financial instruments	-	197	-	197
Total assets	**1,720,708**	**197**	**-**	**1,720,905**

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

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

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

6. Critical accounting estimates and judgments

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

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

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

a. Allowances for the impairment of receivables

The allowance for the impairment of accounts receivable is assessed based on the delinquent balance, which comprises all such debt arising from the bills for electricity consumption that remain unpaid 13 working days after their due dates for small-demand (T1) customers and 7 working days after due date for medium and large-demand (T2 and T3) customers. The Company's Management records an allowance applying to the delinquent balances of each customer category an uncollectibility rate that is determined according to each customer category based on the historical comparison of collections made.

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

b. Revenue recognition

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

c. Impairment of long-lived assets

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

Recoverability analysis

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

At the date of issuance of these financial statements there are indicators of a potential impairment inasmuch as the Company has operating losses for $ 609.4 million, Therefore, the Company has made its projections in order to analyze the recoverability of its property, plant and equipment. The value in use is determined based on projected and discounted cash flows, using discount rates that reflect the time value of money and the specific risks of the assets considered.

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

The increase in electricity rates used by the Company to assess the recoverability of its property, plant and equipment as of December 31, 2016 is based on both the electricity rate schedule approved as from February 2017 that fixed the Company's remuneration, and the tariff adjustment mechanism for the next 5 years (Note 2.c).III). Given that the main variable is the electricity rate, and such rate is supported by the approved electricity rate schedule, the Company has prepared only one scenario, considering the most pessimistic situation when estimating the variables with greater impact (resolution of regulatory issues) and its best estimate for the other variables with lower incidence.

In order to determine the scenario mentioned in the preceding paragraph, the Company has considered the following:

viii. Nature, opportunity, and modality of the electricity rate increases and/or cost adjustments recognition: Electricity rate increases as resolved in the RTI process;
ix. Settlement of regulatory liabilities: The Company has considered to use the final surplus of its annual cash flows until these liabilities are settled;
x. Electricity demand growth: 2.5% p.a.;
xi. Development of costs to be incurred: mainly, based on the expected level of inflation;
xii. Investments for infrastructure maintenance: in accordance with the service quality levels required by the regulator in the RTI;
xiii. Inflation rate;
xiv. Exchange rate.

The discount rate (WACC) in pesos varies for each year of the projection. For the first 5 years, the average of these rates is 29%.

Further, the Company has performed a sensitivity analysis in view of reasonably possible changes to these variables, and it concluded that in no case should it recognize an impairment in the value of its property, plant and equipment.

d. Current and deferred income tax

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

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

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

e. Benefit plans

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

f. ENRE penalties and discounts

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

g. Contingencies and provisions for lawsuits

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

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

7. Interest in joint venture

	Percentage interest held in capital stock and votes	Equity attributable to the owners	
		12.31.16	12.31.15
SACME	50.00%	435	433

8. Contingencies and lawsuits

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

Furthermore, it is worth mentioning that there exist contingent obligations and labor, civil and commercial complaints filed against the Company related to legal actions for individual non-significant amounts for which a provision, which as of December 31, 2016 amounts to $ 429.3 million, has been recorded.

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

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

Purpose:

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

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

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

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

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

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

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

Amount: undetermined

Procedural stage of the proceedings: On February 17, 2017 the Court of Original Jurisdiction rejected the complaint and raised *res judicata sua sponte*, in addition to declaring that the issuance of MEyM Resolutions Nos. 6 and 7/16 and ENRE Resolution No. 1/16 rendered the application of the regulatory framework questioned by the plaintiff baseless.

Conclusion: the Company believes that the trial court's decision is based upon the applicable law and that even in the case that such decision were appealed by the plaintiff there exist solid arguments to believe that it would be confirmed by the Appellate Court.

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

Purpose:

1) Reimbursement of the Value Added Tax (VAT) percentage paid on the illegally "widened" taxable basis due to the incorporation of the FNEE. Distribution companies, the defendants, had not paid this tax when CAMMESA invoiced them the electricity purchased for distribution purposes.

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

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

Amount: undetermined

Procedural stage of the proceedings: On April 22, 2010, the Company answered the complaint and filed a motion to dismiss for lack of standing ("*excepción de falta de legitimación*"), requesting, at such opportunity, that a summons be served upon the Federal Government, the AFIP and the ENRE as third-party defendants. Notice of this was served upon the plaintiff. Although the plaintiff's opposition to the requested summons had not yet been resolved, the proceedings were brought to trial, in response to which Edenor S.A. filed a motion for reversal with a supplementary appeal. The Court hearing the case granted the motion filed by Edenor S.A. and ordered that the Federal Government, the AFIP and the ENRE be summoned as third-party defendants, which has already taken place. These proceedings have been joined to those mentioned below.

Conclusion: no provision has been recorded for these claims in these financial statements as the Company believes, based on both that which has been previously mentioned and the opinion of its legal advisors, that there exist solid arguments for them to be considered unfounded. It is estimated that the proceedings will not be terminated in 2017.

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

Purpose: that the Company be ordered to reduce or mitigate the default or late payment interest rates charged to customers who pay their bills after the first due date, inasmuch as they violate section 31 of Law 24,240, ordering both the non application of pacts or accords that stipulate the interest rates that are being applied to the users of electricity –their unconstitutional nature– as well as the reimbursement of interest amounts illegally collected from the customers of the service from August 15, 2008 through the date on which the defendant complies with the order to reduce interest. It is also requested that the VAT and any other taxes charged on the portion of the surcharge illegally collected be reimbursed.

Amount: undetermined

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

Conclusion: no provision has been recorded for these claims in these financial statements as the Company believes, based on both that which has been previously mentioned and the opinion of its legal advisors, that there exist solid arguments for them to be considered unfounded. It is estimated that this legal action will not be terminated in 2017.

d. Legal action brought by the Company ("Edenor S.A. vs ENRE Resolution No. 32/11")

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

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

- That the Company be fined in the amount of $ 375,000 due to its failure to comply with the obligations arising from Section 25 of the Concession Agreement and ENRE Resolution No. 905/99.

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

Amount: $ 22.4 million.

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

Conclusion: as of the closing date of the year ended December 31, 2016, the Company made a provision for principal and interest accrued for an amount of $ 52 million within the Other non-current liabilities account. It is estimated that this legal action may be terminated in 2017.

e. Legal action brought by the Company ("Edenor S.A. VS FEDERAL GOVERNMENT – MINISTRY OF FEDERAL PLANNING / PROCEEDING FOR THE DETERMINATION OF A CLAIM AND MOTION TO LITIGATE IN FORMA PAUPERIS")

On June 28, 2013, the Company instituted these proceedings for the recognizance of a claim and the related leave to proceed in forma pauperis, both pending in the Federal Court of Original Jurisdiction in Contentious and Administrative Federal Matters No. 11 – Clerk's Office No. 22.

Purpose of the main proceedings: To sue for breach of contract due to the Federal Government's failure to perform in accordance with the terms of the "Agreement on the Renegotiation of the Concession Agreement" ("*Acta Acuerdo de Renegociación del Contrato de Concesion*" – Adjustment Agreement) entered into with Edenor in 2006, and for damages caused as a result of such breach.

Procedural stage of the proceedings: On November 22, 2013, the Company amended the complaint so as to extend it and claim more damages as a consequence of the Federal Government's omission to perform the obligations under the aforementioned "Adjustment Agreement". On February 3, 2015, the Court hearing the case ordered that notice of the complaint be served to be answered within the time limit prescribed by law, which was answered by the Federal Government in due time and in proper manner. Subsequently, Edenor S.A. reported as new event, under the terms of Section 365 of the CPCCN, the issuance by the SE of Resolution No. 32/15. After notice was served, the Court rejected the treatment thereof as an "event", holding the Company liable for costs. The Company filed an appeal, which was admitted "with a postponed effect" (i.e. the Appellate Court will grant or reject the appeal when deciding on the granting or rejection of the appeal against final judgment). On October 16, 2015, the Attorney General's Office requested to borrow the records for a term of 20 days, which were returned on December 1, 2015, in order to control the work done by the state's attorneys. On December 4, 2015, the Company requested the suspension of the procedural time-limits under the terms of section 157 of the CPCCN, in accordance with the provisions of SE Resolution No. 32/15, notice of which has been served upon the defendant. On February 16, 2016, the Company reiterated the request due to the revocation of SE Resolution No. 32/15. At the date of issuance of this report, and by "agreement of the parties", the procedural time-limits are suspended until mid-May 2017.

Regarding the motion to litigate in forma pauperis that was filed on July 2, 2013, the discovery period has ended and the period for the parties to put forward their arguments on the merits of the evidence produced has begun. At the date of issuance of these financial statements, the Company has requested the suspension of the procedural time-limits.

Conclusion: the Company believes that there exist solid legal arguments to support its claim. It is estimated that this legal action will not be terminated in 2017.

f. **Administrative proceedings DJ/36/14 initiated by the AFIP**

Purpose: To accuse the Company of and have it fined for the filing of an inaccurate Minimum presumed income tax return for fiscal period 2011.

Amount: $ 5.5 million

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

At the same time, in accordance with the terms of Section 322 of the CPCCN, the Company filed a declaratory judgment action *("acción declarativa de certeza")* with the Federal Court against the Federal Government, AFIP – DGI, with the aim of obtaining a declaratory judgment as to whether or not the minimum presumed income tax related to fiscal period 2011 applied in the sense resolved by the CSJN in the "Hermitage" case on June 15, 2010. In this case, the Supreme Court had declared that this tax was unconstitutional as it was deemed confiscatory.

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

Faced with this situation, and in order to avoid possible attachments or prohibitions to dispose of property that could affect the normal development of its activities for the provision of the public service, the Company decided to rectify the Minimum presumed income tax return for fiscal period 2011 and adhere to the easy payment plan implemented by AFIP General Resolution No. 3,451.

On November 19, 2015, by means of administrative proceedings DJ/36/14 initiated by the AFIP, the Company is accused of and fined for the filing of an inaccurate Minimum presumed income tax return for fiscal period 2011.

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

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

Additionally, and as provided for in Law No. 27,260, the fines and other penalties related to substantive obligations accrued as of May 31, 2016 will be automatically waived by operation of the law unless they have become final at the date on which the referred to Law came into effect, or the main obligation had been settled as of that date.

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

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

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

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

9. Property, plant and equipment

	Lands and buildings	Substations	High, medium and low voltage lines	Meters and Transformer chambers and platforms	Tools, Furniture, vehicles, equipment, communications and advances to suppliers	Construction in process	Supplies and spare parts	Total
At 12.31.15								
Cost	202,381	1,674,336	4,809,485	2,232,104	1,254,245	2,512,113	188,602	12,873,266
Accumulated depreciation	(56,376)	(576,740)	(2,054,733)	(839,389)	(460,239)	-	-	(3,987,477)
Net amount	**146,005**	**1,097,596**	**2,754,752**	**1,392,715**	**794,006**	**2,512,113**	**188,602**	**8,885,789**
Additions	-	-	431	318	134,619	2,551,494	16,387	2,703,249
Disposals	(3,035)	(15,037)	(21,641)	(67)	(686)	-	-	(40,466)
Transfers	37,564	396,416	1,301,966	297,757	32,354	(2,023,156)	(42,901)	-
Depreciation for the period	(13,922)	(48,023)	(129,721)	(74,784)	(85,132)	-	-	(351,582)
Net amount 12.31.16	**166,612**	**1,430,952**	**3,905,787**	**1,615,939**	**875,161**	**3,040,451**	**162,088**	**11,196,990**
At 12.31.16								
Cost	235,709	2,048,014	6,024,954	2,523,084	1,265,502	3,040,451	162,088	15,299,802
Accumulated depreciation	(69,097)	(617,062)	(2,119,167)	(907,145)	(390,341)	-	-	(4,102,812)
Net amount	**166,612**	**1,430,952**	**3,905,787**	**1,615,939**	**875,161**	**3,040,451**	**162,088**	**11,196,990**

- During the year ended December 31, 2016, direct costs capitalized amounted to $ 302.5 million.
- Financial costs capitalized for the year ended December 31, 2016 amounted to $ 189,7 million.

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

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

Acquisition of real property:

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

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

Disclosed in the Additions line of the Furniture, tools, vehicles, equipment and communication column.

10. Financial instruments

10.1 Financial instruments by category

	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Non-financial assets	Total
As of December 31, 2016				
Assets				
Trade receivables	3,901,060	-	-	3,901,060
Other receivables	193,110	28,839	7,851	229,800
Cash and cash equivalents				
Cash and Banks	194,476	-	-	194,476
Checks to be deposited	2,625	-	-	2,625
Money market funds	-	61,461	-	61,461
Financial assets at fair value through profit or loss:				
Government bonds	-	387,279	-	387,279
Money market funds	-	1,606,636	-	1,606,636
Financial assets at amortized cost through profit or loss:				
Government bonds	45,940	-	-	45,940
Total	**4,337,211**	**2,084,215**	**7,851**	**6,429,277**
As of December 31, 2015				
Assets				
Trade receivables	963,005	-	-	963,005
Other receivables	842,716	43,219	347,702	1,233,637
Cash and cash equivalents				
Cash and Banks	35,145	-	-	35,145
Checks to be deposited	319	-	-	319
Money market funds	-	93,488	-	93,488
Financial assets at fair value through profit or loss:				
Government bonds	-	370,161	-	370,161
Derivative financial instruments	-	197	-	197
Money market funds	-	1,213,840	-	1,213,840
Total	**1,841,185**	**1,720,905**	**347,702**	**3,909,792**

	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Non-financial liabilities	Total
As of December 31, 2016				
Liabilities				
Trade payables	7,053,973	-	-	7,053,973
Other payables	344,188	-	4,893,897	5,238,085
Borrowings	2,823,283	-	-	2,823,283
Total	**10,221,444**	**-**	**4,893,897**	**15,115,341**
As of December 31, 2015				
Liabilities				
Trade payables	4,700,393	-	-	4,700,393
Other payables	345,567	-	2,197,985	2,543,552
Borrowings	2,509,773	-	-	2,509,773
Total	**7,555,733**	**-**	**2,197,985**	**9,753,718**

Financial instruments categories have been determined based on IFRS 9.

The income, expenses, gains and losses resulting from each category of financial instruments are as follow:

	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Total
As of December 31, 2016			
Interest income	196,754	-	196,754
Exchange differences	96,701	3,164	99,865
Bank fees and expenses	(3,217)	-	(3,217)
Changes in fair value of financial assets	-	424,099	424,099
Adjustment to present value	(263)	3,147	2,884
Total	**289,975**	**430,410**	**720,385**
As of December 31, 2015			
Interest income	96,225	-	96,225
Exchange differences	14,326	5,745	20,071
Bank fees and expenses	(20,117)	-	(20,117)
Changes in fair value of financial assets	-	350,543	350,543
Adjustment to present value	3,984	1,403	5,387
Total	**94,418**	**357,691**	**452,109**
As of December 31, 2014			
Interest income	235,534	-	235,534
Exchange differences	17,432	8,082	25,514
Bank fees and expenses	(15,509)	-	(15,509)
Changes in fair value of financial assets	-	71,029	71,029
Adjustment to present value	8,282	(154)	8,128
Other	-	-	-
Total	**245,739**	**78,957**	**324,696**

	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Total
As of December 31, 2016			
Interest expense	(1,441,665)	-	(1,441,665)
Other financial results	(36,783)	-	(36,783)
Bank fees and expenses	42	-	42
Exchange differences	(517,573)	-	(517,573)
Total	**(1,995,979)**	**-**	**(1,995,979)**
As of December 31, 2015			
Interest expense	(429,899)	-	(429,899)
Other financial results	(22,880)	-	(22,880)
Exchange differences	(914,844)	-	(914,844)
Net gain from the repurchase of Corporate Notes	-	-	-
Total	**(1,367,623)**	**-**	**(1,367,623)**
As of December 31, 2014			
Interest expense	(576,504)	-	(576,504)
Other financial results	(20,224)	-	(20,224)
Bank fees and expenses	-	-	-
Exchange differences	(453,410)	-	(453,410)
Net gain from the repurchase of Corporate Notes	44,388	-	44,388
Total	**(1,005,750)**	**-**	**(1,005,750)**

10.2 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired may be assessed based on external credit ratings or historical information:

	12.31.16	12.31.15
Customers with no external credit rating:		
Group 1 (i)	3,479,399	426,468
Group 2 (ii)	121,206	232,407
Group 3 (iii)	300,455	304,130
Total trade receivables	**3,901,060**	**963,005**

(i) Relates to customers with debt to become due
(ii) Relates to customers with past due debt from 0 to 3 months.
(iii) Relates to customers with past due debt from 3 to 12 months.

At the Statement of Financial Position date, the maximum exposure to credit risk is the carrying amount of these financial assets.

11. Other receivables

	Note	12.31.16	12.31.15
Non-current:			
Minimum national income tax		-	74,056
Financial credit		43,636	72,656
Related parties	35.d	6,856	7,065
Total Non-current		**50,492**	**153,777**
Current:			
Prepaid expenses		3,589	3,473
Credit form Income recognition on account of the RTI - SE Resolution 32/15		-	650,938
Value added tax		-	248,364
Advances to suppliers		2,561	20,762
Advances to personnel		1,701	1,047
Security deposits		8,385	6,933
Financial credit		40,461	16,362
Receivable with FOCEDE (1)		-	49,536
Receivables from electric activities		142,979	65,694
Related parties	35.d	766	7,076
Guarantee deposits on derivative financial instruments		-	16,555
Judicial deposits		13,546	10,482
Other		19	390
Allowance for the impairment of other receivables		(34,699)	(17,752)
Total Current		**179,308**	**1,079,860**

(1) On June 23, 2016, the Company received $ 86.3 million, in accordance with the provisions of ENRE Resolution No. 2/16, formalizing the definitive termination and liquidation of the aforementioned trust (see Note 2.c).V). As of December 31, 2015, the Company's net position with the FOCEDE was comprised of the following:

	12.31.15
Fixed charge Res. 347/12 collected from customers and not transferred	(7,204)
Funds received in excess of that transferred to FOCEDE from fixed charge Res. 347/12	191,722
Outstanding receivables from extraordinary Investment Plan	18,281
Provision for FOCEDE expenses	(153,263)
	49,536

The other non-current receivables are measured at amortized cost, which does not differ significantly from their fair value.

The roll forward of the allowance for the impairment of other receivables is as follows:

	12.31.16	12.31.15	12.31.14
Balance at beginning of year	17,752	16,647	20,412
Increase	16,947	1,105	2,845
Decrease	-	-	(4,771)
Recovery	-	-	(1,839)
Balance at end of the period	**34,699**	**17,752**	**16,647**

The aging analysis of these other receivables is as follows:

	12.31.16	12.31.15
Unexpired	21,931	49,536
Past due	108,299	63,281
Up to 3 months	17,024	929,022
From 3 to 6 months	12,062	11,380
From 6 to 9 months	10,053	5,366
From 9 to 12 months	9,939	21,275
More than 12 months	50,492	153,777
Total other receivables	**229,800**	**1,233,637**

At the Statement of Financial Position date, the maximum exposure to credit risk is the carrying amount of each class of other receivables.

The carrying amount of the Company's other receivables is denominated in the following currencies:

	12.31.16	12.31.15
Argentine pesos	229,800	1,222,444
US dollars	-	11,193
Total other receivables	**229,800**	**1,233,637**

12. Trade receivables

	12.31.16	12.31.15
Current:		
Sales of electricity - Billed	2,524,981	709,568
Sales of electricity – Unbilled (1)	1,582,591	216,012
Framework Agreement	8,222	73,097
Fee payable for the expansion of the transportation and others	22,397	20,842
Receivables in litigation	22,551	22,847
Allowance for the impairment of trade receivables	(259,682)	(79,361)
Total Current	**3,901,060**	**963,005**

(1) As of December 31, 2016, the billing was affected by the effects of the provisional remedies detailed in Note 2.c.VIII.

The carrying amount of the Company's trade receivables approximates their fair value.

The roll forward of the allowance for the impairment of trade receivables is as follows:

	12.31.16	12.31.15	12.31.14
Balance at beginning of year	79,361	84,562	73,185
Increase	210,745	22,979	18,686
Decrease	(30,424)	(28,180)	(7,309)
Balance at end of the period	**259,682**	**79,361**	**84,562**

The aging analysis of these trade receivables is as follows:

	12.31.16	12.31.15
Not due	8,222	-
Past due	421,661	536,536
Up to 3 months	3,471,177	426,469
Total trade receivables	**3,901,060**	**963,005**

At the Statement of Financial Position date, the maximum exposure to credit risk is the carrying amount of each class of trade receivables.

The carrying amount of the Company's trade receivables is denominated in Argentine pesos.

Sensitivity analysis of the allowance for impairment of trade receivables:

- *5% increase in the uncollectibility rate estimate*

	12.31.16
Contingencies	270,722
change	11,040

- *5% decrease in the uncollectibility rate estimate*

	12.31.16
Contingencies	248,643
change	(11,039)

13. Financial assets at fair value through profit or loss

	12.31.16	12.31.15
Non-current		
Government bonds	-	23,567
Total Non-current	**-**	**23,567**
Current		
Government bonds	387,279	346,594
Money market funds	1,606,636	1,213,840
Total current	**1,993,915**	**1,560,434**

14. Financial assets at amortized cost

	12.31.16	12.31.15
Non-current		
Government bonds	44,429	-
Total Non-current	**44,429**	**-**
Current		
Government bonds	1,511	-
Total Non-current	**1,511**	**-**

15. Inventories

	12.31.16	12.31.15
Current		
Supplies and spare-parts	230,291	120,512
Advance to suppliers	57,519	14,355
Total inventories	**287,810**	**134,867**

16. Cash and cash equivalents

	12.31.16	12.31.15
Cash and banks	197,101	35,464
Money market funds	61,461	93,488
Total cash and cash equivalents	**258,562**	**128,952**

17. Share capital and additional paid-in capital

As of December 31, 2016, the Company's share capital amounts to 906,455,100 shares, divided into 462,292,111 common, book-entry Class A shares with a par value of one peso each and the right to one vote per share; 442,210,385 common, book-entry Class B shares with a par value of one peso each and the right to one vote per share; and 1,952,604 common, book-entry Class C shares with a par value of one peso each and the right to one vote per share.

No changes have occurred in the Company's Share Capital structure in the last three fiscal years.

Listing of the Company's shares

The Company's shares are listed on the Buenos Aires Stock Exchange and are part of the Merval Index.

Furthermore, with the SEC's prior approval, the Company's ADSs (American Depositary Shares), each representing 20 common shares of the Company, began to be traded on the NYSE (New York Stock Exchange) as from April 24, 2007.

The listing of ADSs on the NYSE is part of the Company's strategic plan to increase both its liquidity and the volume of its shares.

Acquisition of the Company's own shares

During fiscal year 2008, the Company acquired 9,412,500 Class B treasury shares with a nominal value of 1 peso. The amount disbursed to acquire these shares totaled $ 6.1 million, which was deducted from unappropriated retained earnings of the equity attributable to the owners of the Company at that date. At the date of these financial statements, these shares are held as "treasury stock". The Company is entitled to reissue these shares at a future date.

On November 18, 2014, the Company held the General Annual Meeting which resolved by majority of votes to extend for another 3 years the term for holding the treasury shares acquired within the framework of Section 68 of Law No. 17,811 (text consolidated by Decree No. 677/01). All the shares issued have been fully paid-in.

Section 206 – Business Organizations Law

The negative results recorded by the Company as of December 31, 2016, consume 100% of the reserves and more than 50% of its share capital. Section 206 of the Business Organizations Law provides for the mandatory capital stock reduction where this situation occurs. Therefore, the Company shareholders must analyze alternatives in conformity with the applicable regulations to rectify this situation.

At the date of issuance of these financial statements, and in the light of the recent conclusion of the tariff structure review, the Company's Board of Directors is currently analyzing the impact thereof on the Company's financial position, estimating that its result will allow the Company to revert this situation.

18. Allocation of profits

Restrictions on the distribution of dividends

i. In accordance with the provisions of Law No. 19,550, the General Annual Meeting held on April 28, 2016 resolved that the profit for the year ended December 31, 2015 be allocated to the Unappropriated Retained Earnings account and the statutory and discretionary reserves.

ii. In accordance with the provisions of Law No. 25,063, passed in December 1998, dividends to be distributed, whether in cash or in kind, in excess of accumulated taxable profits at the fiscal year-end immediately preceding the date of payment or distribution, shall be subject to a final 35% income tax withholding, except for those dividends distributed to shareholders who are residents of countries benefiting from conventions for the avoidance of double taxation, who will be subject to a lower tax rate.

iii. In accordance with the provisions of Business Organizations Law No. 19,550, not less than five percent (5%) of the net profit arising from the Statement of Income for the year must be allocated to a reserve, until it equals twenty percent (20%) of the Share Capital.

iv. MEyM Resolution No. 7/16 provides that the Company shall not distribute dividends in accordance with clause 7.4 of the Adjustment Agreement.

19. Trade payables

		12.31.16	12.31.15
Non-current			
Customer guarantees		83,045	67,509
Customer contributions		98,167	105,757
Funding contributions - substations		51,700	51,700
Total Non-current		**232,912**	**224,966**
Current			
		2,956,726	2,714,263
Provision for unbilled electricity purchases - CAMMESA (1)		2,512,800	646,183
Suppliers		958,460	817,891
Advance to customer (1)		197,020	-
Customer contributions		136,689	147,775
Discounts to customers		37,372	125,809
Funding contributions - substations		21,790	23,506
Related parties	**35.d**	204	-
Total Current		**6,821,061**	**4,475,427**

(1) As of December 31, 2016, includes the effects of the provisional remedies detailed in Note 2.c).VIII.

The fair values of non-current customer contributions as of December 31, 2016 and 2015 amount to $ 131.7 million and $ 127.1 million, respectively. The fair values are determined based on estimated discounted cash flows in accordance with a market rate for this type of transactions. The fair value category applied thereto was Level 3 category.

The carrying amount of the rest of the financial liabilities included in the Company's trade payables approximates their fair value.

20. Other payables

	Note	12.31.16	12.31.15
Non-current			
Loans (mutuum) with CAMMESA		1,346,807	1,099,760
ENRE penalties and discounts		3,477,351	1,004,043
Liability with FOTAE		172,991	155,752
Payment agreements with ENRE		106,177	132,323
Total Non-current		**5,103,326**	**2,391,878**
Current			
ENRE penalties and discounts		56,164	62,720
Related parties	**35.d**	4,756	3,447
Advances for works to be performed		13,575	31,462
Payment agreements with ENRE		60,264	54,006
Other		-	39
Total Current		**134,759**	**151,674**

The carrying amount of the Company's other financial payables approximates their fair value.

21. Deferred revenue

	12.31.16	12.31.15
Non-current		
Nonrefundable customer contributions	199,990	153,816
Total Non-current	**199,990**	**153,816**

	12.31.16	12.31.15
Current		
Nonrefundable customer contributions	764	764
Total Current	**764**	**764**

22. Borrowings

	Note	12.31.16	12.31.15
Non-current			
Corporate notes (1)		2,769,599	2,341,098
Related parties	**35.e**	-	119,877
Total non-current		**2,769,599**	**2,460,975**
Current			
Interest from corporate notes		53,684	46,688
Related parties	**35.e**	-	2,110
Total current		**53,684**	**48,798**

(1) Net of debt repurchase and issuance expenses.

On July 12, 2016, the Company redeemed the Fixed Rate par Corporate Notes due in 2017. The outstanding amount redeemed at 100% of the corporate notes nominal value totaled USD 14.8 million, plus interest accrued of USD 0.4 million

The fair values of the Company's non-current borrowings (Corporate Notes) as of December 31, 2016 and 2015 amount approximately to $ 2.9 billion and $ 2.4 billion, respectively. Such values were calculated on the basis of the estimated market price of the Company's Corporate Notes at the end of each year. The fair value category applied thereto was Level 1 category.

On February 2, 2016, the Company repurchased at market prices the "Fixed Rate Class 9 par Corporate Notes" due in 2022 for an amount of USD 0.3 million nominal value.

The Company's borrowings are denominated in the following currencies:

	12.31.16	12.31.15
US dollars	2,823,283	2,509,773
	2,823,283	**2,509,773**

The maturities of the Company's borrowings and their exposure to interest rate are as follow:

	12.31.16	12.31.15
Fixed rate		
Less than 1 year	53,684	48,798
From 2 to 4 years	-	192,470
More than 4 years	2,769,599	2,268,505
	2,823,283	**2,509,773**

The roll forward of the Company's borrowings during the year was as follows:

	12.31.16	12.31.15	12.31.14
Balance at beginning of the year	2,509,773	1,632,403	1,350,532
Interest paid	(265,950)	(172,923)	(155,251)
Primcipal paid	-	-	(424)
Repurchase of Corporate Notes by the trust	(4,866)	-	(91,638)
Paid from the repurchase of Corporate Notes	(221,846)	-	-
Gain from the repurchase of Corporate Notes	(42)	-	(52,848)
Exchange difference and interest accrued	791,516	961,519	490,814
Costs capitalized	14,698	88,774	91,218
Balance at the end of the year	**2,823,283**	**2,509,773**	**1,632,403**

Corporate Notes programs

The Company is included in a Corporate Notes program, the relevant information of which is detailed below:

Debt issued in United States dollars

				Million of USD			Million of $
Corporate Notes	**Class**	**Rate**	**Year of Maturity**	**Debt structure at 12.31.15**	**Debt repurchase**	**Debt structure at 12.31.16**	**At 12.31.16**
Fixed Rate Par Note	7	10.50	2017	14.76	(14.76)	-	-
Fixed Rate Par Note (1)	9	9.75	2022	172.17	(0.30)	171.87	2,769.60
Total				**186.93**	**(15.06)**	**171.87**	**2,769.60**

				Million of USD			Million of $
Corporate Notes	**Class**	**Rate**	**Year of Maturity**	**Debt structure at 12.31.14**	**Debt repurchase**	**Debt structure at 12.31.15**	**At 12.31.15**
Fixed Rate Par Note	7	10.50	2017	14.76	-	14.76	192.47
Fixed Rate Par Note (1)	9	9.75	2022	172.17	-	172.17	2,268.51
Total				**186.93**	**-**	**186.93**	**2,460.98**

(1) Net of issuance expenses.

The main covenants are the following:

i. Negative Covenants

The terms and conditions of the Corporate Notes include a number of negative covenants that limit the Company's actions with regard to, among others, the following:

- encumbrance or authorization to encumber its property or assets;
- incurrence of indebtedness, in certain specified cases;
- sale of the Company's assets related to its main business;
- carrying out of transactions with shareholders or related companies;
- making certain payments (including, among others, dividends, purchases of Edenor's common shares or payments on subordinated debt).

ii. Suspension of Covenants:

Certain negative covenants stipulated in the terms and conditions of the Corporate Notes will be suspended or adapted if:

- the Company's long-term debt rating is raised to Investment Grade, or
- the Company's Level of Indebtedness is equal to or lower than 2.5.

If the Company subsequently losses its Investment Grade rating or its Level of Indebtedness is higher than 2.5, as applicable, the suspended negative covenants will be once again in effect.

At the date of issuance of these financial statements, the previously mentioned ratios have been complied with.

23. Salaries and social security taxes

a. *Salaries and social security taxes payable*

	12.31.16	12.31.15
Non-current		
Early retirements payable	5,149	6,324
Seniority-based bonus	89,168	73,715
Total non-current	**94,317**	**80,039**
Current		
Salaries payable and provisions	912,275	639,293
Social security payable	115,793	89,331
Early retirements payable	4,119	4,507
Total current	**1,032,187**	**733,131**

The carrying amount of the Company's salaries and social security taxes payable approximates their fair value.

b. *Salaries and social security taxes charged to profit or loss*

	12.31.16	12.31.15	12.31.14
Salaries	2,539,345	1,791,286	1,414,922
Social security taxes	987,523	696,611	449,464
Total salaries and social security taxes	**3,526,868**	**2,487,897**	**1,864,386**

Early retirements payable correspond to individual optional agreements. After employees reach a specific age, the Company may offer them this option. The related accrued liability represents future payment obligations which as of December 31, 2016 and 2015 amount to $ 4.1 million and $ 4.5 million (current) and $ 5.1 million and $ 6.3 million (non-current), respectively.

The seniority-based bonus included in collective bargaining agreements in effect consists of a bonus to be granted to personnel with a certain amount of years of service. As of December 31, 2016 and 2015, the liabilities related to these obligations amount to $ 89.2 million and $ 73.7 million, respectively.

As of December 31, 2016 and 2015, the number of employees amounts to 4,746 and 4,696, respectively.

24. Benefit plans

The defined benefit plans granted to Company employees consist of a bonus for all the employees who have the necessary years of service and have made the required contributions to retire under ordinary retirement plans.

The amounts and conditions vary in accordance with the collective bargaining agreement and for non-unionized personnel.

	12.31.16	12.31.15
Non-current	266,087	204,386
Current	33,370	28,291
Total Benefit plans	**299,457**	**232,677**

The detail of the benefit plan obligations as of December 31, 2016 and 2015 is as follows:

	12.31.16	12.31.15
Benefit payment obligations at beginning	232,677	160,921
Current service cost	23,277	29,241
Interest cost	82,128	60,013
Actuarial losses	(7,817)	3,678
Benefits paid to participating employees	(30,808)	(21,176)
Benefit payment obligations at year end	**299,457**	**232,677**

As of December 31, 2016 and 2015, the Company does not have any assets related to post-retirement benefit plans.

The detail of the charge recognized in the Statement of Comprehensive Income is as follows:

	12.31.16	12.31.15	12.31.14
Cost	23,277	29,241	8,080
Interest	82,128	60,013	43,345
Actuarial results - Other comprehensive loss	(7,817)	3,678	17,823
	97,588	**92,932**	**69,248**

The actuarial assumptions used are based on market interest rates for Argentine government bonds, past experience, and the Company Management's best estimate of future economic conditions. Changes in these assumptions may affect the future cost of benefits and obligations. The main assumptions used are as follow:

	12.31.16	12.31.15
Discount rate	5%	6%
Salary increase	1%	2%
Inflation	21%	32%

Sensitivity analysis:

Análisis de sensibilidad:

	12.31.2016
Discount Rate: 4%	
Obligation	325,810
Variation	26,353
	9%
Discount Rate: 6%	
Obligation	276,897
Variation	(22,560)
	(8%)
Salary Increase : 0%	
Obligation	275,890
Variation	(23,567)
	(8%)
Salary Increase: 2%	
Obligation	326,613
Variation	27,156
	9%

The expected payments of benefits are as follow:

	Less than 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	More than 4 years
At December 31, 2016					
Benefit payment obligations	33,371	5,646	5,808	6,374	7,754

Estimates based on actuarial techniques imply the use of statistical tools, such as the so-called demographic tables used in the actuarial valuation of the Company active personnel.

In order to determine the mortality of the Company active personnel, the "1971 Group Annuity Mortality" table has been used. In general, a mortality table shows for each age group the probability that a person in any such age group will die before reaching a predetermined age. Male and female mortality tables are elaborated separately inasmuch as men and women's mortality rates are substantially different.

In order to estimate total and permanent disability due to any cause, 80% of the "1985 Pension Disability Study" table has been used.

In order to estimate the probability that the Company active personnel will leave the Company or stay therein, the "ESA 77" table has been used.

Liabilities related to the above-mentioned benefit plans have been determined considering all the rights accrued by the beneficiaries of the plans through the closing date of the year ended December 31, 2016.

These benefits do not apply to key management personnel.

25. Income tax and tax on minimum presumed income / Deferred tax

The analysis of deferred tax assets and liabilities is as follows:

	12.31.15	Charged to profit and loss	Charged to other comprenhensive income	12.31.16
Deferred tax assets				
Tax loss carryforward	-	4,172	-	4,172
Inventories	309	4,784	-	5,093
Trade receivables and other receivable	41,329	97,487	-	138,816
Trade payables and other payables	332,939	790,617	-	1,123,556
Salaries and social security taxes payable	18,923	5,577	-	24,500
Benefit plans	81,437	26,109	(2,736)	104,810
Tax liabilities	14,466	1,268	-	15,734
Provisions	115,522	34,722	-	150,244
Deferred tax asset	**604,925**	**964,736**	**(2,736)**	**1,566,925**
Deferred tax liabilities:				
Property, plant and equipment	(505,528)	6,386	-	(499,142)
Financial assets at fair value through profit or loss	(39,608)	(743)	-	(40,351)
Borrowings	(9,741)	1,327	-	(8,414)
Deferred tax liability	**(554,877)**	**6,970**	**-**	**(547,907)**
Net deferred tax (liabilities) assets	**50,048**	**971,706**	**(2,736)**	**1,019,018**

	12.31.14	Charged to profit and loss	Charged to other comprenhensive income	12.31.15
Deferred tax assets				
Inventories	197	112	-	309
Derivative financial instruments	2,063	(2,063)	-	-
Trade receivables and other receivable	26,851	14,478	-	41,329
Trade payables and other payables	347,324	(14,385)	-	332,939
Salaries and social security taxes payable	20,935	(2,012)	-	18,923
Benefit plans	56,323	23,827	1,287	81,437
Tax liabilities	13,893	573	-	14,466
Provisions	47,657	67,865	-	115,522
Deferred tax asset	**515,243**	**88,395**	**1,287**	**604,925**
Deferred tax liabilities:				
Property, plant and equipment	(417,006)	(88,522)	-	(505,528)
Financial assets at fair value through profit or loss	-	(39,608)	-	(39,608)
Borrowings	(11,070)	1,329	-	(9,741)
Deferred tax liability	**(428,076)**	**(126,801)**	**-**	**(554,877)**
Net deferred tax (liabilities) assets	**87,167**	**(38,406)**	**1,287**	**50,048**

	12.31.16	12.31.15
Deferred tax assets:		
To be recover in less than 12 moths	432,952	311,207
To be recover in more than 12 moths	1,135,858	295,602
Deferred tax asset	**1,568,810**	**606,809**
Deferred tax liabilities:		
To be recover in less than 12 moths	(155,064)	(135,879)
To be recover in more than 12 moths	(394,728)	(420,882)
Deferred tax liability	**(549,792)**	**(556,761)**
Net deferred tax assets (liabilities)	**1,019,018**	**50,048**

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

The receivable from the Minimum presumed income tax for an amount of $ 64.4 million is disclosed netting in the Income tax/tax on minimum presumed income payable, net account.

The detail of the minimum presumed income receivable is as follows:

Minimum presumed income tax credit	12.31.16	Year of expiration
2012	20,506	2022
2013	43,950	2023
	64,456	

The detail of the income tax expense for the year includes two effects: (i) the current tax for the year payable in accordance with the tax legislation applicable to the Company; (ii) the effect of applying the deferred tax method which recognizes the effect of the temporary differences arising from the valuation of assets and liabilities for accounting and tax purposes:

	12.31.16	12.31.15	12.31.14
Deferred tax	971,706	(38,406)	154,356
Current tax	(243,666)	(145,324)	-
Difference between provision and tax return	15,022	-	-
Income tax expense	**743,062**	**(183,730)**	**154,356**

	12.31.16	12.31.15	12.31.14
(Loss) Profit for the period before taxes	(1,931,710)	1,326,173	(934,072)
Applicable tax rate	35%	35%	35%
Profit (Loss) for the period at the tax rate	**676,099**	**(464,161)**	**326,925**
Gain from interest in joint ventures	1	-	2
Non-taxable income	69,368	44,595	-
Other	(1)	-	(25)
Difference between provision and tax return	(2,405)	(42,332)	10,521
Subtotal	**743,062**	**(461,898)**	**337,423**
Unrecognized net deferred tax assets/liabilities	-	282,399	(183,067)
Expiration of tax loss-carryforwards	-	(4,231)	-
Income tax expense	**743,062**	**(183,730)**	**154,356**

26. Income tax / tax on minimum presumed income payable, net

	12.31.16	12.31.2015
Income tax provision	243,666	425,555
Tax loss carryforward (1)	-	(280,231)
Income tax provision net of tax loss carryfoward	**243,666**	**145,324**
Minimum presumed income tax credit	(64,456)	(66,714)
Unrestricted tax credit	-	(43,510)
Tax withholdings	(24,005)	(18,768)
Income tax provision net	**155,205**	**16,332**

(1) As of December 31, 2015, the Company generated positive tax results, which allowed for the recognition of accrued tax losses carry forward.

27. Tax liabilities

	12.31.16	12.31.15
Non-current		
Tax regularization plan	680	1,922
Total Non-current	**680**	**1,922**
Current		
Provincial, municipal and federal contributions and taxes	377,430	73,805
VAT payable	725,553	-
Tax withholdings	78,909	32,750
SUSS withholdings	2,785	-
Municipal taxes	57,832	44,983
Tax regularization plan	1,979	1,877
Total Current	**1,244,488**	**153,415**

28. Leasings

- **As assignee**

The features that these assignments of use have in common are that payments (installments) are established as fixed amounts; there are neither purchase option clauses nor renewal term clauses (except for the assignment of use contract of the Energy Handling and Transformer Center that has an automatic renewal clause for the term thereof); and there are prohibitions such as: transferring or sub-leasing the building, changing its use and/or making any kind of modifications thereto. All operating assignment of use contracts have cancelable terms and assignment periods of 2 to 13 years.

Among them the following can be mentioned: commercial offices, two warehouses, the headquarters building (comprised of administration, commercial and technical offices), the Energy Handling and Transformer Center (two buildings and a plot of land located within the perimeter of Central Nuevo Puerto and Puerto Nuevo) and Las Heras substation.

As of December 31, 2016 and 2015, future minimum payments with respect to operating assignments of use are as follow:

	12.31.16	12.31.15
2016	-	47,897
2017	40,639	19,464
2018	7,649	6,321
2019	9,495	4,310
2020	5,700	147
2021	1,850	147
Total future minimum lease payments	**65,332**	**78,286**

Total expenses for operating assignments of use for the years ended December 31, 2016 and 2015 are as follow:

	12.31.16	12.31.15	12.31.14
Total lease expenses	**68,483**	**42,440**	**31,043**

- **As assignor**

The Company has entered into operating assignment of use contracts with certain cable television companies granting them the right to use the poles of the Company's network. Most of these contracts include automatic renewal clauses.

As of December 31, 2016 and 2015, future minimum collections with respect to operating assignments of use are as follow:

	12.31.16	12.31.15
2016	-	90,522
2017	108,743	84,949
2018	108,511	251
2019	103,090	-
Total future minimum lease collections	**320,344**	**175,722**

Total income from operating assignments of use for the years ended December 31, 2016 and 2015 is as follows:

	12.31.16	12.31.15	12.31.14
Total lease income	**108,228**	**76,417**	**57,463**

29. Provisions

	Non-current liabilities	Current liabilities
	Contingencies	
At 12.31.14	**112,095**	**24,068**
Increases	147,478	78,971
Decreases	-	(32,550)
At 12.31.15	**259,573**	**70,489**
Increases	81,787	69,260
Decreases	(3)	(51,837)
At 12.31.16	**341,357**	**87,912**

30. Revenue from sales

	12.31.16	12.31.15	12.31.14
Sales of electricity (1) (2)	12,952,666	3,720,442	3,536,147
Right of use on poles	108,228	76,417	57,463
Connection charges	15,893	4,195	3,929
Reconnection charges	2,822	1,108	837
Total Revenue from sales	**13,079,609**	**3,802,162**	**3,598,376**

(1) Includes revenue from the application of ENRE Resolution No. 347/12 for $ 1.3 billion, $ 535.5 million and $ 508.1 million for the years ended December 31, 2016, 2015 and 2014, respectively.

(2) As of December 31, 2016, includes the effects of the provisional remedies detailed in Note 2.c).VIII

31. Expenses by nature

The detail of expenses by nature is as follows:

Description	Transmission and distribution expenses	Selling expenses	Administrative expenses	Total
Salaries and social security taxes	2,586,293	437,863	502,712	**3,526,868**
Pension plans	77,295	13,086	15,024	**105,405**
Communications expenses	25,072	128,963	10,423	**164,458**
Allowance for the impairment of trade and other receivables	-	227,692	-	**227,692**
Supplies consumption	276,201	-	34,571	**310,772**
Leases and insurance	436	-	87,791	**88,227**
Security service	67,541	11,485	43,636	**122,662**
Fees and remuneration for services	453,738	468,516	394,373	**1,316,627**
Public relations and marketing	-	-	18,955	**18,955**
Advertising and sponsorship	-	-	9,765	**9,765**
Reimbursements to personnel	904	170	774	**1,848**
Depreciation of property, plants and equipments	284,786	49,334	17,462	**351,582**
Directors and Supervisory Committee members' fees	-	-	5,999	**5,999**
ENRE penalties	2,374,242	182,422	-	**2,556,664**
Taxes and charges	-	97,028	14,686	**111,714**
Other	706	137	6,154	**6,997**
At 12.31.16	**6,147,214**	**1,616,696**	**1,162,325**	**8,926,235**

The expenses included in the chart above are net of the Company's own expenses capitalized in Property, plant and equipment as of December 31, 2016 for $ 302.5 million.

Description	Transmission and distribution expenses	Selling expenses	Administrative expenses	Total
Salaries and social security taxes	1,859,710	299,835	328,352	**2,487,897**
Pension plans	65,379	12,332	11,543	**89,254**
Communications expenses	13,729	58,735	3,422	**75,886**
Allowance for the impairment of trade and other receivables	-	24,084	-	**24,084**
Supplies consumption	211,448	-	23,040	**234,488**
Leases and insurance	510	-	58,194	**58,704**
Security service	43,738	839	24,060	**68,637**
Fees and remuneration for services	463,159	329,497	213,816	**1,006,472**
Public relations and marketing	-	-	10,185	**10,185**
Advertising and sponsorship	-	-	5,247	**5,247**
Reimbursements to personnel	1,189	214	834	**2,237**
Depreciation of property, plants and equipments	236,758	34,771	9,878	**281,407**
Directors and Supervisory Committee members' fees	-	-	3,652	**3,652**
ENRE penalties	257,282	24,371	-	**281,653**
Taxes and charges	-	47,901	10,047	**57,948**
Other	762	227	3,821	**4,810**
At 12.31.15	**3,153,664**	**832,806**	**706,091**	**4,692,561**

The expenses included in the chart above are net of the Company's own expenses capitalized in Property, plant and equipment as of December 31, 2015 for $ 271.6 million.

Description	Transmission and distribution expenses	Selling expenses	Administrative expenses	Total
Salaries and social security taxes	1,373,247	249,037	242,102	**1,864,386**
Pension plans	37,878	6,869	6,678	**51,425**
Communications expenses	13,207	39,088	2,920	**55,215**
Allowance for the impairment of trade and other receivables	-	21,531	-	**21,531**
Supplies consumption	205,853	-	13,117	**218,970**
Leases and insurance	7,871	-	35,193	**43,064**
Security service	28,874	201	15,122	**44,197**
Fees and remuneration for services	714,258	262,845	148,134	**1,125,237**
	-	-	-	**-**
Public relations and marketing	-	-	5,719	**5,719**
Advertising and sponsorship	-	-	2,946	**2,946**
Reimbursements to personnel	1,164	309	1,514	**2,987**
Depreciation of property, plants and equipments	208,483	18,377	10,779	**237,639**
Directors and Supervisory Committee members' fees	-	-	2,947	**2,947**
ENRE penalties	233,855	18,360	-	**252,215**
Taxes and charges	-	41,170	7,658	**48,828**
Other	372	122	1,933	**2,427**
At 12.31.14	**2,825,062**	**657,909**	**496,762**	**3,979,733**

The expenses included in the chart above are net of the Company's own expenses capitalized in property, plant and equipment as of December 31, 2014 for $ 156 million.

32. Other operating expense, net

		12.31.16	12.31.15	12.31.14
Other operating income				
Services provided to third parties		62,495	59,809	33,305
Commissions on municipal taxes collection		21,441	14,775	12,040
Recovery of allowance of trade receivables and other receivables		-	-	1,839
Related parties	**35.a**	500	-	5,020
Income from non-reimbursable customer contributions		764	764	764
Others		2,726	4,613	205
Total other operating income		**87,926**	**79,961**	**53,173**
Other operating expense				
Net expense from technical services		(17,877)	(12,900)	(16,236)
Gratifications for services		(35,442)	(43,192)	(24,985)
Cost for services provided to third parties		(31,946)	(52,421)	(25,265)
Severance paid		(15,697)	(11,801)	(8,202)
Debit and Credit Tax		(156,152)	(85,138)	(64,720)
Other expenses - FOCEDE		(14,653)	(59,563)	(97,701)
Provision for contingencies		(151,047)	(226,449)	(75,417)
Disposals of property, plant and equipment		(40,466)	(3,513)	(959)
Other		(666)	(7,530)	(5,193)
Total other operating expense		**(463,946)**	**(502,507)**	**(318,678)**
Other operating expense, net		**(376,020)**	**(422,546)**	**(265,505)**

33. Net financial expense

	12.31.16	12.31.15	12.31.14
Financial income			
Commercial interest	134,092	46,109	43,265
Financial interest	62,662	50,116	192,269
Total financial income	**196,754**	**96,225**	**235,534**
Financial expenses			
Interest and other (1)	(410,940)	(233,769)	(111,356)
Fiscal interest	(9,837)	(3,652)	(5,477)
Commercial interest (2)	(1,020,888)	(192,478)	(459,671)
Bank fees and expenses	(3,217)	(20,117)	(15,509)
Total financial expenses	**(1,444,882)**	**(450,016)**	**(592,013)**
Other financial results			
Exchange differences	(417,708)	(894,773)	(427,896)
Adjustment to present value of receivables	2,884	5,387	8,128
Changes in fair value of financial assets (3)	424,099	350,543	71,029
Net gain from the repurchase of Corporate Notes	42	-	44,388
Other financial expense	(36,783)	(22,880)	(20,224)
Total other financial expense	**(27,466)**	**(561,723)**	**(324,575)**
Total net financial expense	**(1,275,594)**	**(915,514)**	**(681,054)**

(1) Net of interest capitalized as of December 31, 2016, 2015 and 2014 for $ 189.7 million, $ 255.9 million and $ 123.9 million, respectively.
(2) As of December 31, 2015, such amount is net of the gain recorded from the agreement with CAMMESA instructed by SE Resolution No. 32/15.
(3) Includes changes in the fair value of financial assets on cash equivalents as of December 31, 2016, 2015 and 2014 for $ 19.9 million, $ 26.9 million and $ 17.6 million, respectively.

34. Basic and diluted (loss) earnings per share

Basic

The basic (loss) earnings per share are calculated by dividing the (loss)/profit attributable to the holders of the Company's equity instruments by the weighted average number of common shares outstanding as of December 31, 2016 and 2015, excluding common shares purchased by the Company and held as treasury shares.

The basic (loss) earnings per share coincide with the diluted (loss) earnings per share, inasmuch as the Company has issued neither preferred shares nor corporate notes convertible into common shares.

	12.31.16	12.31.15	12.31.14
(Loss) Profit for the period attributable to the owners of the Company	(1,188,648)	1,142,443	(779,716)
Weighted average number of common shares outstanding	897,043	897,043	897,043
Basic and diluted (loss) profit earnings per share – in pesos	**(1.33)**	**1.27**	**(0.87)**

35. Related-party transactions

- The following transactions were carried out with related parties:

a. Income

Company	*Concept*	12.31.16	12.31.15	12.31.14
CYCSA	Other income	9,598	6,188	5,018
Transener	Reimbursement expenses	200	-	-
Transba	Reimbursement expenses	300	-	-
PYSSA	Advertising on EDENOR bill	-	-	2
		10,098	**6,188**	**5,020**

b. Expense

Company	*Concept*	12.31.16	12.31.15	12.31.14
EASA	Technical advisory services on financial matters	(36,708)	(22,791)	(20,134)
SACME	Operation and oversight of the electric power transmission system	(35,436)	(27,331)	(19,605)
Salaverri, Dellatorre, Burgio y Wetzler Malbran	Legal fees	(3,454)	(679)	(1,230)
PYSSA	Financial and granting of loan services to customers	(21)	(89)	(90)
OSV	Hiring life insurance for staff	(6,227)	-	-
PISA	Interest Corporate Notes 2022	-	(2,110)	-
		(81,846)	**(53,000)**	**(41,059)**

c. Key Management personnel's remuneration

	12.31.16	12.31.15	12.31.14
Salaries	124,386	85,063	40,539
	124,386	**85,063**	**40,539**

- The balances with related parties are as follow:

d. Receivables and payables

	12.31.16	12.31.15
Other receivables - Non current		
SACME	6,856	7,065
	6,856	**7,065**
Other receivables - Current		
CYCSA	-	6,406
SACME	766	662
PYSSA	-	8
	766	**7,076**

	12.31.16	12.31.15
Trade payables		
PYSSA	(204)	-
	(204)	**-**

	12.31.16	12.31.15
Other payables		
SACME	(4,756)	(3,447)
	(4,756)	**(3,447)**

e. Borrowings

	12.31.16	12.31.15
Borrowings - Non current		
PISA	-	(119,877)
	-	**(119,877)**
Borrowings - Current		
PISA	-	(2,110)
	-	**(2,110)**

The other receivables with related parties are not secured and do not accrue interest. No allowances have been recorded for these concepts in any of the periods covered by these financial statements.

According to IAS 24, paragraphs 25 and 26, the Company applies the exemption from the disclosure requirement of transactions with related parties when the counterpart is a governmental agency that has control, joint control or significant influence. As of December 31, 2016, the ANSES holds Corporate Notes of the Company due in 2022 for $ 317 million (USD 20 million nominal value).

The agreements with related parties that were in effect throughout fiscal year 2016 are detailed below:

(a) Agreement with Comunicaciones y Consumos S.A.

During 2007 and 2008, the Company and CYCSA entered into agreements pursuant to which the Company granted CYCSA the exclusive right to provide telecommunications services to the Company customers through the use of the Company's network in accordance with the provisions of Executive Order 764/00 of the PEN, which contemplates the integration of voice, data and image transmission services through the existing infrastructure of electricity distribution companies such as the Company's network, as well as the right to use the poles and towers of overhead lines under certain conditions. Additionally, the Company has the right to use part of the optical fiber capacity. In accordance with the terms of the agreement, CYCSA will be responsible for all maintenance expenses and expenses related to the adapting of the Company's network for the rendering of such telecommunications services. The term of the agreement, which was originally ten years to commence from the date on which CYCSA's license to render telecommunications services were approved, was subsequently extended to 20 years by virtue of an addendum to the agreement. In consideration of the use of the network, CYCSA grants the Company 2% of the annual charges collected from customers, before taxes, as well as 10% of the profits obtained from provision of services.

As from December 1, 2016, CYCSA is no longer a related party.

(b) Agreement with SACME

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

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

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

The operating costs borne by the Company during fiscal year 2016 amounted to $ 35.4 million.

(c) Agreement with EASA

The agreement stipulates the provision to the Company of technical advisory services on financial matters for a term of five years to commence as from September 19, 2015. The term of the agreement will be extended if so agreed by the parties. In consideration of these services, the Company pays EASA an annual amount of USD 2.5 million. Any of the parties may terminate the agreement at any time by giving 60 days' notice, without having to comply with any further obligations or paying any indemnification to the other party.

(d) Orígenes Seguros de Vida

In the framework of the process for the taking out of the mandatory life insurance for its personnel, the Company invited different insurance companies to submit their proposals. After having been analyzed, the one submitted by OSV was selected as the best proposal. This transaction was approved by the Company's Board of Directors at the Board meeting held on March 8, 2016, with the Auditing Committee's prior favorable opinion.

The operating costs borne by the Company in fiscal year 2016 amounted to $ 6.2 million.

- The ultimate controlling company of Edenor S.A. is PESA.

36. Trust for the Management of Electric Power Transmission Works

Due to the constant increase recorded in the demand for electricity during 2005, the SE, through Resolution No. 1875/05, established that the interconnection works through an underground power cable at 220 kV between Costanera and Puerto Nuevo Transformer Stations with Malaver Transformer Station were necessary. These works require not only the execution of expansion works but also new layout-designs of the High-Voltage subsystems of Edenor S.A. and Edesur S.A.'s networks. In addition, it established that a fraction of the electricity rate increase granted to distribution companies by ENRE Resolution 51/07 (as mentioned in Note 2.c.I), would be used to finance up to 30% of the total execution cost of these works, with the remaining 70% of the total cost of the works being absorbed by the MEM's demand. Fund inflows and outflows related to the aforementioned expansion works are managed by the Works Trust Fund SE Resolution 1/03, which acts as the link among CAMMESA, the Contracting Distribution Companies and the companies that would have been awarded the contracts for the provision of engineering services, supplies and main pieces of equipment as well as those for the execution of the works and provision of minor supplies.

The works were developed in different stages, and the Company complied with its responsibility with regard to the development of each of them, as well as with the operation and the planned and reactive maintenance of the facilities comprising the expansion works. The final conclusion of the works occurred in fiscal year 2014.

Furthermore, on January 15, 2015, CAMMESA not only informed the Company of the amounts disbursed by the BICE and CAMMESA for the execution of the aforementioned works, but also requested that the Company carry out the pertinent actions to comply with the provisions of Resolution 1875/05. Consequently, the Company has begun to carry out actions aimed at coordinating and reaching agreement, with the different parties involved, on the steps to be followed to have this process finalized.

As of December 31, 2015, the Company recognized as facilities in service in the Property, plant and equipment account its participation in the works for an estimated value of $ 141.8 million, including financial charges. As of December 31, 2016 and 2015, the contribution of $ 173 million and $ 155.8 million, respectively, was pending, a debt which is disclosed in the Other payables account of non-current liabilities.

37. Electric works arrangement - Agreement for the supply of electric power to Mitre and Sarmiento railway lines

In September 2013, the Company and the Interior and Transport Ministry entered into a supply and financial contribution arrangement pursuant to which the Federal Government will finance the necessary electric works aimed at adequately meeting the greater power requirements of the Mitre and Sarmiento railway lines.

The total cost of the works amounts to $ 114.3 million. The Federal Government will bear the costs of the so called "exclusive facilities", which amount to $ 59.9 million, whereas the costs of the remaining works will be financed by the Federal Government and reimbursed by the Company.

The financed amount of $ 54.4 million will be reimbursed by the Company in 72 monthly and consecutive installments, as from the first month immediately following the date on which the Works are authorized and brought into service.

As of December 31, 2016, the Company recorded $ 63.8 million as non-current deferred revenue and $ 53.4 million as non-current trade payables – Customer contributions.

38. Construction works - San Miguel and San Martín Transformer Centers

The Company carried out construction works of a 7.3 km-long electrical transmission line consisting of four 13.2 kV lines in trefoil formation to link Rotonda Substation with San Miguel Transformer Center, owned by ENARSA, necessary for the provision of electric power generation services; and a 6.2 km-long electrical transmission line consisting of a 13.2 kV line in trefoil formation to link Rotonda Substation with San Martín Transformer Center, owned by ENARSA.

The works, whose ownership was assigned to the Company, were carried out by the Company with the contributions made by ENARSA. As of December 31, 2016, the Company continues to recognize liabilities for this concept in the Deferred revenue account.

39. Agreement for the execution of works - La Matanza Municipality

In April 2015, the Company and La Matanza Municipality entered into an agreement for the execution of works aimed at improving the electricity service. The amount of the agreement totals $ 103.8 million, including applicable taxes and charges.

It was agreed that after the completion of each work and upon the presentation of the respective invoices, the new facilities will be assigned free of charge in order for the Company to proceed with the start-up of the facilities and the subsequent operation and maintenance thereof

The Public Works Secretariat of the MPFIPyS agrees to provide financial assistance to La Matanza Municipality, on the basis of an arrangement signed between the parties, for the total amount of the agreement.

As of December 31, 2016, the Company recorded $ 59.1 million as non-current deferred revenue.

40. Request for Removal of facilities to carry out expansion works in Jorge Newbery Airport Southern Head Station

In December 2013, the Company and the ANAC entered into an agreement for the removal of High, Medium and Low Voltage facilities.

The ANAC requires of Edenor S.A. the rectification of a 3.9 km-long section of a 132 kV cable that links Nuevo Puerto Sub-station with Libertador and Vicente López Sub-stations, the rectification of a 2.35 km-long section of a 27.5 kV cable that links Nuevo Puerto and Puerto Nuevo Sub-stations with AySA and Jorge Newbery Airport, the rectification of a 5.5 km-long section of a 13.2 kV cable, the moving of 3 Medium-to-Low Voltage transformer centers, and the laying of 3.1 km of Low-voltage cable.

It was agreed that the ANAC would contribute the funds, subject to the progress of the works, for a total of $ 60.4 million (which includes indirect costs but does not include taxes, VAT, or the Municipal contribution).

As of December 31, 2016, the Company recorded $ 52.6 million as non-current deferred revenue.

41. Merger process – EMDERSA HOLDING S.A.

On December 20, 2013, the Company Extraordinary Shareholders' Meeting approved the merger of Emdersa Holding S.A. (as the acquired company, which will be dissolved without liquidation) with and into Edenor S.A. (as the acquiring and surviving company), as well as all the documentation and information required for such purpose by the applicable regulations. The effective reorganization date for legal, accounting and tax purposes is retroactive to October 1, 2013. At the date of issuance of these financial statements, the administrative approval thereof by the IGJ is in process.

42. Safekeeping of documentation

On August 14, 2014, the CNV issued General Resolution No. 629 which introduced changes to its regulations concerning the safekeeping and preservation of corporate books, accounting books and commercial documentation. In this regard, it is informed that for safekeeping purposes the Company has sent its workpapers and non-sensitive information, whose periods for retention have not expired, to the warehouses of the firm Iron Mountain Argentina S.A., located at:

- 1245 Azara St. – City of Buenos Aires
- 2163 Don Pedro de Mendoza Av. – City of Buenos Aires
- 2482 Amancio Alcorta Av. – City of Buenos Aires
- Tucumán St. on the corner of El Zonda, Carlos Spegazzini City, Ezeiza, Province of Buenos Aires

The detail of the documentation stored outside the Company's offices for safekeeping purposes, as well as the documentation referred to in Section 5 sub-section a.3) of Caption I of Chapter V of Title II of the Regulations (Technical Rule No. 2,013, as amended) is available at the Company's registered office.

43. Ordinary and Extraordinary Shareholders' Meeting

The Company Ordinary and Extraordinary Shareholders' Meeting held on April 28, 2016 resolved, among other issues, the following:

- To approve the Annual Report and the Financial Statements of Edenor S.A. as of December 31, 2015;
- To appoint Directors and alternate Directors;
- To approve the actions taken by the Directors and Supervisory Committee members, together with the remuneration thereof;
- To appoint the authorities and the external auditors for the current fiscal year;
- To allocate to the statutory reserve an amount of $ 73.3 million, of which $ 64 million relates to the restoring of the reserve used to absorb accumulated losses, and $ 9.3 million to the mandatory allocation;
- To record a discretionary reserve in accordance with the terms of Section 70 of the Business Organizations Law for an amount of $ 176.1 million allocated to investments and other financial needs, authorizing the Company's Board of Directors to apply the amount thereof, whether in full or in part, and to approve the methodology, time periods and conditions of those investments.

44. Share-based Compensation Plan

In the last months of fiscal year 2016, the Company's Board of Directors approved the use of treasury shares for the creation of a Global Compensation Plan with the purpose of remunerating and retaining the Company's key personnel. The employees included in the plan will receive a certain amount of those shares in the term provided for by the referred to program.

At the date of issuance of these financial statements, the Company estimates that approximately 1.6 million shares will be granted to its employees as additional remuneration for fiscal year 2016.

The amount accrued in the year, determined on the basis of the fair value of the treasury shares at the grant date, amounted to $ 20.3 million and has been recorded in the Salaries and social security taxes (Note 31) line item, with a contra account in Equity.

45. Events after the reporting period

Purchase of financial assets at fair value

From January 1, 2017 to the date of issuance of these financial statements, the Company has purchase in successive operations Brazil Bonds due in 2019 for a value of $ 546.5 million (USD 32 million nominal value).

RICARDO TORRES
Chairman