

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 20-F/A
(Amendment No. 1)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015

Commission File Number: 001- 34429

PAMPA ENERGIA S.A.

(Exact name of registrant as specified in its charter)

Pampa Energy Inc.

(Translation of registrant's name into English)

Argentina

(Jurisdiction of incorporation or organization)

Ortiz de Ocampo 3302, Building #4
C1425DSR, City of Buenos Aires
Argentina

(Address of principal executive offices)

Gerardo Carlos Paz
Ortiz de Ocampo 3302, Building #4
C1425DSR, City of Buenos Aires
Argentina

Tel.: + 54 11 4809 9500 / Fax: + 54 11 4809 9541
(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:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock	New York Stock Exchange*
American Depositary Shares, each representing 25 shares of common stock, par value Ps. 1.00 per share	New York Stock Exchange

* 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:

None

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:

1,695,859,459 shares of common stock, par value Ps. 1.00 per share

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 Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes

No

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer

Accelerated filer

Non-accelerated filer

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes

No

EXPLANATORY NOTE

On May 2, 2016, the Company filed its annual report on Form 20-F for the year ended December 31, 2015 (the “Original Annual Report”) with the Securities and Exchange Commission (the “Commission”)

This amendment on Form 20-F/A (this “Amendment No. 1”) amends and restates the Original Annual Report, solely to (i) replace (a) Item 3 (Key Information), (b) Item 4A (Unresolved Staff Comments), (c) Item 5 (Operating and Financial Review and Prospects), (d) Item 15 (Controls and Procedures) and (e) Item 18 (Financial Statements) and (ii) to reflect the restatement in our financial statements for the years ended December 31, 2015 and 2014 as a consequence of changes within the statement of cash flows and to disclose subsequent events through such date. These additions and changes were made in response to comments that we received from the Commission.

This Amendment No. 1 and the Restated Consolidated Financial Statements included herein have been approved by resolution of the Board of Directors’ meeting of the Company held on July 26, 2016.

In light of the restatement, readers should not rely on the Company’s previously filed financial statements as of each of December 31, 2015 and December 31, 2014, and for each of the years ended December 31, 2015 and December 31, 2014.

Except as provided in this explanatory note, or as indicated in the applicable disclosure, this Amendment No. 1 has not been updated to reflect other events occurring after the filing of the Original Annual Report and does not modify or update information and disclosures in the Original Annual Report affected by subsequent events. Accordingly, this Amendment No. 1 should be read in conjunction with our filings with the Commission subsequent to the date on which we filed the Original Annual Report, together with any amendments to those filings.

This Amendment No. 1 also includes certifications from our chief executive officer and chief financial officer, dated as of the date of this filing.

Item 3. Key Information

In this annual report, we use the terms “we,” “us,” “our,” the “registrant” and the “Company” to refer to Pampa Energía S.A.

This annual report contains our audited consolidated financial statements as of December 31, 2015 and 2014, and for each of the three years in the period ended December 31, 2015, and the notes thereto (the “Restated Consolidated Financial Statements”). The Restated Consolidated Financial Statements have been audited by Price Waterhouse & Co. S.R.L., an independent registered public accounting firm in Buenos Aires, Argentina, member firm of PricewaterhouseCoopers International Limited network, whose report is included in this annual report. Specially, with respect to Compañía de Transporte de Energía Eléctrica en Alta Tensión S.A. (“Transener”) and Transportadora de Gas del Sur S.A. (“TGS”), given that the stake in such companies constitutes an interest in a joint venture and associate, respectively, they are not consolidated and they are measured under the equity method of accounting in the Restated Consolidated Financial Statements.

SELECTED FINANCIAL DATA

The following table presents our selected financial data for each of the years in the five-year period ended December 31, 2015. The selected consolidated statement of comprehensive income (loss) and restated statement of cash flow data for the years ended December 31, 2015, 2014, 2013, 2012 and 2011 and the selected consolidated statement of financial position as of December 31, 2015 and 2014, have been prepared in accordance with IFRS as issued by the IASB and, with the exception of the financial data as of December 31, 2011, 2012 and 2013, have been derived from our Consolidated Financial Statements included elsewhere in this annual report. The financial data as of December 31, 2011, 2012 and 2013, is derived from our audited consolidated financial statements that are not included in this annual report, which were audited by Price Waterhouse & Co. S.R.L., member firm of PricewaterhouseCoopers network, an independent registered public accounting firm.

Our Restated Consolidated Financial Statements are set forth in Item 18 beginning on page F-1 of this annual report. Our Restated Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (the “IASB”). This annual report along with the Restated Consolidated Financial Statement included herein have been approved by resolution of the Board of Directors’ meeting of the Company held on July 26, 2016.

You should read the information below in conjunction with our Restated Consolidated Financial Statements, including the notes thereto, as well as the sections “Presentation of Financial Information” and “Item 5. Operating and Financial Review and Prospects.”

	At December 31,					
	2015 (US\$) ⁽¹⁾	2015 (Pesos)	2014 (Pesos)	2013 (Pesos)	2012 (Pesos)	2011 (Pesos)
STATEMENT OF FINANCIAL POSITION						
<i>Non-current assets:</i>						
Investments in joint ventures	17,237,795	223,918,951	226,894,893	188,644,285	192,315,761	222,219,616
Investments in associates	9,487,092	123,237,325	133,169,584	134,774,654	132,546,155	130,251,204
Property, plant and equipment	1,116,890,152	14,508,403,073	9,218,099,975	6,902,661,359	6,019,372,559	5,847,071,944
Intangible assets	56,517,928	734,167,886	872,384,099	901,846,313	1,798,492,198	1,791,802,004
Biological assets	142,700	1,853,667	1,894,481	1,935,296	1,976,109	1,935,511
Financial assets at fair value through profit and loss	198,474,419	2,578,182,705	963,012,962	432,729,855	303,792,067	553,768,412
Deferred tax asset	4,024,631	52,279,953	93,681,916	63,214,262	87,532,301	116,574,172
Trade and other receivables	90,022,886	1,169,397,290	954,842,893	366,685,679	421,117,506	342,191,671
Total non-current assets	1,492,797,602	19,391,440,850	12,463,980,803	8,992,491,703	8,957,144,656	9,005,814,534
<i>Current assets:</i>						
Infrastructure under construction	-	-	-	-	84,465,694	45,504,000
Biological assets	18,888	245,361	198,470	564,431	497,255	99,003
Inventories	17,356,643	225,462,790	135,570,860	114,615,289	107,342,562	60,421,699
Financial assets at fair value through profit and loss	314,166,244	4,081,019,538	1,028,577,127	844,259,368	236,646,460	172,193,934
Trade and other receivables	379,880,333	4,934,645,531	2,903,411,995	2,256,967,076	1,541,543,369	1,373,557,822
Derivatives financial instruments	15,177	197,150	-	-	-	1,315,707
Cash and cash equivalents	39,768,893	516,597,918	335,234,106	341,668,865	156,647,001	245,623,669
Total current assets	751,206,178	9,758,168,258	4,402,992,558	3,558,075,029	2,127,142,341	1,898,715,834
Assets classified as held for sale	-	-	-	11,987,500	235,196,934	1,183,952,808
Total assets	2,244,003,780	29,149,609,108	16,866,973,361	12,562,554,232	11,319,483,931	12,088,483,176
<i>Shareholders' equity</i>						
Share capital	130,551,152	1,695,859,459	1,314,310,895	1,314,310,895	1,314,310,895	1,314,310,895
Additional paid-in capital	94,802,407	1,231,483,268	342,984,871	263,489,911	1,018,352,216	1,536,759,469
Legal reserve	3,961,675	51,462,158	14,304,190	-	-	27,396,793
Voluntary reserve	75,271,824	977,780,998	271,779,611	-	-	-
Reserve for directors' options	-	-	266,060,067	259,351,053	250,405,701	241,460,349
Retained earnings (Accumulated losses)	235,957,615	3,065,089,423	743,159,355	286,083,801	(771,796,574)	(667,906,366)
Other comprehensive loss	(2,393,087)	(31,086,202)	(32,191,096)	(24,385,321)	(10,753,372)	(12,650,920)
Equity attributable to owners of the company	538,151,586	6,990,589,104	2,920,407,893	2,098,850,339	1,800,518,866	2,439,370,220
Non-controlling interest	107,052,282	1,390,609,148	633,431,122	775,971,764	529,796,278	1,327,964,340
Total equity	645,203,869	8,381,198,252	3,553,839,015	2,874,822,103	2,330,315,144	3,767,334,560
<i>Non-current liabilities:</i>						
Trade and other payables	207,757,502	2,698,769,957	1,909,433,852	1,295,851,077	2,230,282,210	1,568,886,646
Borrowings	514,607,101	6,684,746,241	3,786,988,603	2,924,530,436	2,218,483,028	2,487,650,894
Deferred revenue	11,841,095	153,815,820	109,089,120	33,665,717	264,427,265	174,796,000
Salaries and social security payable	6,161,612	80,039,338	62,858,307	25,959,305	17,460,281	23,584,607
Defined benefit plans	20,358,342	264,454,859	196,587,957	136,521,808	120,902,649	103,634,036
Deferred tax liabilities	45,541,805	591,588,053	470,584,488	416,561,631	625,429,965	821,124,172
Taxes payable	29,904,773	388,463,004	281,231,713	150,095,508	61,545,202	45,675,917
Provisions	24,155,425	313,778,975	119,527,656	91,464,804	86,409,533	69,975,102
Total non-current liabilities	860,327,656	11,175,656,247	6,936,301,696	5,074,650,286	5,624,940,133	5,295,327,374
<i>Current liabilities:</i>						
Trade and other payables	512,123,588	6,652,485,409	4,536,471,292	3,098,555,391	1,687,978,624	1,082,963,093
Borrowings	100,666,888	1,307,662,872	783,583,090	753,571,799	790,916,969	893,801,060
Deferred revenue	58,790	763,684	763,684	-	-	-
Salaries and social security payable	68,280,817	886,967,815	725,274,898	501,445,076	447,870,658	324,900,133
Defined benefit plans	3,548,066	46,089,380	26,759,690	8,552,119	21,846,945	14,888,746
Taxes payable	46,967,858	610,112,473	231,928,622	239,718,270	248,119,227	196,282,111
Derivatives financial instruments	1,391,948	18,081,410	47,880,462	-	-	-
Provisions	5,434,301	70,591,566	24,170,912	11,239,188	11,659,708	11,399,017
Total current liabilities	738,472,256	9,592,754,609	6,376,832,650	4,613,081,843	3,208,392,131	2,524,234,160
Liabilities associated to assets classified as held for sale	-	-	-	-	155,836,523	501,587,082
Total liabilities	1,598,799,912	20,768,410,856	13,313,134,346	9,687,732,129	8,989,168,787	8,321,148,616
Total liabilities and equity	2,244,003,780	29,149,609,108	16,866,973,361	12,562,554,232	11,319,483,931	12,088,483,176

⁽¹⁾ Solely for the convenience of the reader, Peso amounts as of December 31, 2015 have been translated into U.S.\$ at the average between the purchase and seller exchange rate for U.S. \$ quoted by Banco Nación on December 31, 2015 of Ps. 12.990 to U.S.\$1.00. See "Item 3. - Key Information—Exchange Rates."

	For the year ended December 31,					
	2015	2015	2014	2013	2012	2011
	(US\$) ⁽¹⁾	(Pesos)	(Pesos)	(Pesos)	(Pesos)	(Pesos)
STATEMENT OF COMPREHENSIVE INCOME (LOSS)						
Revenue	551,253,382	7,160,781,433	6,204,645,511	5,334,993,550	6,695,364,819	5,229,666,000
Cost of sales	(546,019,287)	(7,092,790,535)	(6,029,079,708)	(5,603,274,246)	(6,355,771,263)	(4,726,852,788)
Gross profit	5,234,095	67,990,898	175,565,803	(268,280,696)	339,593,556	502,813,212
Selling expenses	(74,879,294)	(972,682,033)	(713,360,347)	(634,221,473)	(414,002,396)	(282,577,570)
Administrative expenses	(95,410,783)	(1,239,386,075)	(837,458,716)	(563,852,810)	(463,317,509)	(379,815,207)
Other operating income	72,415,553	940,678,036	311,975,857	466,220,030	196,418,100	132,580,010
Other operating expenses	(58,075,554)	(754,401,446)	(447,074,876)	(204,039,316)	(203,949,959)	(134,804,547)
Reversal of impairment of property, plant and equipment	1,944,569	25,259,957	88,406,704	-	-	-
Impairment of property, plant and equipment	-	-	-	-	(108,283,569)	(557,668,671)
Share of profit (loss) of joint ventures	714,224	9,277,768	34,208,368	(4,799,349)	(31,020,306)	(14,605,490)
Share of (loss) profit of associates	(764,608)	(9,932,259)	(1,605,070)	2,228,499	2,294,951	19,779,284
Impairment of intangible assets	-	-	-	-	-	(90,056,095)
Profit of acquisition of subsidiaries	-	-	-	-	-	505,936,374
Operating loss before higher costs recognition and SE Resolution No. 32/15	(148,821,798)	(1,933,195,154)	(1,389,342,277)	(1,206,745,115)	(682,267,132)	(298,418,700)
Income recognition on account of the RTI - SE Resolution No. 32/15	386,844,783	5,025,113,729	-	-	-	-
Higher Costs Recognition - SE Resolution No. 250/13 and subsequent Notes	42,455,615	551,498,435	2,271,926,952	2,933,051,544	-	-
Operating profit (loss)	280,478,600	3,643,417,010	882,584,675	1,726,306,429	(682,267,132)	(298,418,700)
Financial income	26,830,464	348,527,733	440,541,774	336,295,165	143,263,842	92,803,259
Financial cost	(96,790,977)	(1,257,314,794)	(1,113,228,906)	(813,875,720)	(501,942,312)	(417,859,940)
Other financial results	130,944,651	1,700,971,014	420,055,021	(519,261,217)	(203,001,724)	(142,516,846)
Financial results, net	60,984,138	792,183,953	(252,632,111)	(996,841,772)	(561,680,194)	(467,573,527)
Profit (Loss) before income tax	341,462,738	4,435,600,963	629,952,564	729,464,657	(1,243,947,326)	(765,992,227)
Income tax	(45,171,436)	(586,776,949)	(100,412,278)	12,178,991	133,311,022	36,912,458
Profit (Loss) for the year from continuing operations	296,291,302	3,848,824,014	529,540,286	741,643,648	(1,110,636,304)	(729,079,769)
Discontinued operations	-	-	-	(126,858,328)	31,066,521	(90,851,233)
Total Profit (Loss) of the year	296,291,302	3,848,824,014	529,540,286	614,785,320	(1,079,569,783)	(819,931,002)
Total Profit (Loss) of the year attributable to:						
Owners of the company	235,957,615	3,065,089,423	743,159,355	286,083,801	(649,694,254)	(741,395,337)
Non - controlling interest	60,333,687	783,734,591	(213,619,069)	328,701,519	(429,875,529)	(78,535,665)
Basic earnings (loss) per share from continuing operations	0,1752	2,2760	0,5654	0,2829	(0,5133)	(0,5297)
Diluted earnings (loss) per share from continuing operations	0,1752	2,2760	0,5082	0,2829	(0,5133)	(0,5297)
Basic (loss) earnings per share from discontinued operations	-	-	-	(0,0652)	0,0190	(0,0344)
Diluted (loss) earnings per share from discontinued operations	-	-	-	(0,0652)	0,0186	(0,0344)
Dividends per share ⁽²⁾	-	-	-	-	-	0,0138
Basic earning (loss) per ADS ⁽²⁾ from continuing operations	0,0070	0,0910	0,0226	0,0113	(0,0205)	(0,0212)
Diluted earning (loss) per ADS ⁽²⁾ from continuing operations	0,0070	0,0910	0,0203	0,0113	(0,0205)	(0,0212)
Basic (loss) earning per ADS ⁽²⁾ from discontinuing operations	-	-	-	(0,0026)	0,0008	(0,0014)
Diluted (loss) earning per ADS ⁽²⁾ from discontinuing operations	-	-	-	(0,0026)	0,0007	(0,0014)
Dividends per ADS ⁽³⁾	-	-	-	-	-	0,0006
Weighted average amount of outstanding shares	103,673,317	1,346,716,389	1,314,310,895	1,314,310,895	1,314,310,895	1,314,310,895

	For the year ended December 31,					
	2015	2015	2014	2013	2012	2011
	(Restated) (US\$) ⁽¹⁾	(Restated) (Pesos)	(Restated) (Pesos)	(Pesos)	(Pesos)	(Pesos)
RESTATEMENT OF CASH FLOWS						
Net cash generated by operating activities	336,086,857	4,365,768,267	2,193,534,713	1,656,196,597	1,198,056,614	1,063,758,464
Net cash used in investing activities	(547,692,154)	(7,114,521,077)	(2,472,053,463)	(1,456,587,868)	(903,135,054)	(1,657,527,373)
Net cash generated by (used in) financing activities	219,572,453	2,852,246,162	232,933,975	(76,931,201)	(542,226,508)	383,135,512

⁽¹⁾ Solely for the convenience of the reader, Peso amounts as of December 31, 2015 have been translated into U.S.\$ at the average between the purchaser and seller exchange rate for U.S.\$ quoted by Banco Nación on December 31, 2015 of Ps. 12.990 to U.S.\$ \$1.00. See "Item 3. - Key Information—Exchange Rates."

⁽²⁾ Each ADS represents 25 common shares.

⁽³⁾ In 2010, we declared advance dividends of Ps. 18.1 million, an amount sufficient to cover the Argentine personal asset tax obligations of certain of our shareholders. In March 2011, we paid those dividends and withheld the corresponding amount of personal asset tax from those shareholders who were subject to the personal asset tax

EXCHANGE RATES

Exchange Rates

The following table sets forth the high, low, average and period-end exchange rates for the periods indicated, expressed in Pesos per U.S. Dollar and not adjusted for inflation. There can be no assurance that the Peso will not depreciate or appreciate again in the future. The Federal Reserve Bank of New York does not report a noon buying rate for Pesos.

	Exchange rates ⁽¹⁾			
	(in Pesos per US Dollars)			
	High	Low	Average ⁽²⁾	Period end
Year ended December 31,				
2011	Ps. 4,304	Ps. 3,972	Ps. 4,131	Ps. 4,304
2012	4,918	4,304	4,552	4,918
2013	6,521	4,925	5,484	6,521
2014	8,557	6,545	8,119	8,551
2015	13,400	8,555	9,268	13,040
Month				
November 2015	9,688	9,555	9,628	9,688
December 2015	13,400	9,698	11,406	13,040
January 2016	13,960	13,200	13,654	13,960
February 2016	15,800	14,130	14,852	15,800
March 2016	15,800	14,390	14,954	14,700
April 2016 ⁽³⁾	14,790	14,050	14,448	14,190

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 average of the lowest and highest daily rates from April 11 through April 19, 2016.

In the future, any cash dividends we pay will be in Pesos, and exchange rate fluctuations affect the U.S. Dollar amounts received by holders of American Depositary Shares (“ADSs”), on conversion by us or by the depository of cash dividends on the shares represented by such ADSs. Fluctuations in the exchange rate between the Peso and the U.S. Dollar will affect the U.S. Dollar equivalent of the Peso price of our shares on the Buenos Aires Stock Exchange and, as a result, can also affect the market price of the ADSs.

RISK FACTORS

Risks Related to Argentina

Overview

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

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

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

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

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

In addition, the global economic crisis that began in the fourth quarter of 2008, triggering an international stock market crash and the insolvency of major financial institutions, limited the ability of Argentine companies to access international financial markets as they had in the past or made such access significantly more costly for Argentine issuers. A similar global or regional financial crisis in the future could limit our ability to access credit or capital markets at a time when we require financing, thereby impairing our flexibility to react to changing economic and business conditions (see “Argentina’s ability to obtain financing from international markets is limited, in part due to the unresolved litigation with holdout bondholders, which may impair its ability to foster economic growth and, consequently, affect our business, results of operations and prospects for growth” above). For these reasons, any of the foregoing factors could together or independently have an adverse effect on our results of operations and financial condition and cause the market value of our ADSs to decline.

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

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

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

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

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

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

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

Presidential and congressional elections in Argentina took place on October 25, 2015, and a runoff election (*ballotage*) between the two leading Presidential candidates was held on November 22, 2015, which resulted in Mr. Mauricio Macri being elected President of Argentina. The Macri administration assumed office on

December 10, 2015, and is expected to adjust longstanding fiscal and monetary policies that have resulted in recurrent public sector deficits, inflation and pervasive foreign exchange controls and limited foreign investment.

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

- *Electricity system state of emergency and reforms.* The Macri administration declared the state of emergency of the national electricity system that will remain in effect until December 31, 2017. The state of emergency allows the Argentine Government to take actions designed to guarantee the supply of electricity. In addition, following the Macri administration's announcement that it would reexamine energy subsidy policies, the ME&M increased electricity rates for the wholesale market for purchases made between February 1 and April 30, 2016. This increase is expected to be used to reduce subsidies to the sector. Also, through various Resolutions the Argentine Government has increased the tariff for generators and distributors, as described in this annual report (i.e., ENRE Resolution No. 1/2016 and SEE Resolution No. 22/2016).
- *INDEC reforms.* In light of questions raised by the International Monetary Fund ("IMF") regarding the reliability of the information produced by the INDEC, the Macri administration appointed Mr. Jorge Todesca, previously a director of a private consulting firm, as head of the INDEC. It is expected that the INDEC will implement certain methodological reforms and adjust certain macroeconomic statistics on the basis of these reforms. On January 8, 2016, Decree No. 55/2016 was issued by the Argentine government declaring a state of administrative emergency on the national statistical system and on the official agency in charge of the system, the INDEC, until December 31, 2016. Following the declared emergency, the INDEC has ceased publishing statistical data until a rearrangement of its technical and administrative structure is finalized. During the implementation of these reforms, however, the INDEC will use official CPI figures and other statistics published by the Province of San Luis and the City of Buenos Aires. Despite these expected reforms, there is uncertainty as to whether official data will be sufficiently corrected and within what time period such data will be corrected, and what effect these reforms will have on the Argentine economy and public accounts.
- *Foreign exchange reforms.* In addition, the Macri administration implemented certain reforms to the foreign exchange market regulatory framework that provide greater flexibility and easier access to the foreign exchange market. The principal measures adopted as of the date of this annual report include: (i) the elimination of the requirement to register foreign exchange transactions in the Argentine Tax Authority's ("AFIP") database; (ii) the elimination of the requirement to transfer the proceeds of new financial indebtedness transactions into Argentina and settle such proceeds through the single and free-floating foreign exchange market (the "MULC"); (iii) the reestablishment of the U.S.\$2.0 million monthly limit per resident on the creation of offshore assets; (iv) a decrease from 30% to 0% of the registered, non-transferable and non-interest-bearing deposit required in connection with certain transactions involving foreign currency inflows; (v) the reduction of the required period that the proceeds of any new financial indebtedness incurred by residents, held by foreign creditors and transferred through the MULC must be maintained in Argentina from 365 calendar days to 120 calendar days from the date of the transfer of the relevant amount; and (vi) the elimination of the requirement of a minimum holding period (72 business hours) for purchases and subsequent sales of the securities. In addition, on December 17, 2015, following the announcement of the lifting of a significant portion of exchange restrictions, the Peso depreciated approximately 36% against the U.S. Dollar. The exchange rate published by Banco Nación as of April 19, 2016, was Ps. 14.19 to U.S.\$1.00.
- *Foreign trade reforms.* The Macri administration eliminated export duties on wheat, corn, beef and regional products, and reduced the export duty on soybeans by 5% to 30%. Further, the 5% export duty on most industrial exports and export duties on mining exports were eliminated. With respect to payments of existing debts for imports of goods and services, the Macri administration announced the gradual elimination of amount limitations for access to the MULC and eliminated the amount for any new transactions. As of December 17, 2015, the amount limitations for such existing debt transactions are expected to gradually decrease and be eliminated in June 2016.

- *Financial Policy.* Soon after taking office, the Macri administration sought to settle the outstanding claims with holdout creditors. See “—Argentina’s ability to obtain financing from international markets is limited, in part due to the unresolved litigation with holdout bondholders, which may impair its ability to foster economic growth and, consequently, affect our business, results of operations and prospects for growth.”

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

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

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

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

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

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

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

In order to address the quality of official data, a new price index was put in place on February 13, 2014. The new price index represented the first national indicator to measure changes in prices of final consumption by households. Unlike the previous price index, which only measured inflation in the urban sprawl of the City of Buenos Aires, the new price index is calculated by measuring prices of goods across the entire urban population of the 24 provinces of Argentina. Using this new methodology, the consumer price index rose to 11.9% in the ten-month period ended October 31, 2015. Although this new methodology brought inflation statistics closer to those estimated by private sources, material differences between official inflation data and private estimates remained during 2015. In November 2015, the INDEC suspended the publication of the CPI and the WPI.

On January 8, 2016, Decree No. 55/2016 was issued by the Argentine government declaring a state of administrative emergency on the national statistical system and on the official agency in charge of the system, the INDEC, until December 31, 2016. Following the declared emergency, the INDEC ceased publishing statistical data until a rearrangement of its technical and administrative structure is finalized. During the implementation of these reforms, however, INDEC will use official CPI figures and other statistics published by the Province of San Luis and the City of Buenos Aires. Despite these expected reforms, there is uncertainty as to whether official data will be sufficiently corrected and within what time period such data will be corrected, and what effect these reforms will have on the Argentine economy. The Macri administration has released an alternative CPI index based on data from the City of Buenos Aires and the Province of San Luis and is currently working on a new inflation index. According to the most recent publicly available information based on data from the Province of San Luis, the CPI grew by 31.6% in 2015 and the inflation rate was 6.5%, 4.2% and 2.7%, in December 2015, January 2016 and February 2016, respectively. According to the most recent publicly available information based on data from the City of Buenos Aires, the CPI grew by 26.9% in 2015 and the inflation rate was 3.9%, 4.1% and 4.0%, in December 2015, January 2016 and February 2016, respectively.

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

The discontinuation of the publication of indices by the INDEC has generated uncertainty in Argentina's economy, and any future required correction or restatement of the INDEC indices could result in a decrease in confidence in Argentina's economy, which, in turn, could have an adverse effect on our ability to access international capital markets to finance our operations and growth, and which could, in turn, adversely affect our results of operations and financial condition and cause the market value of our ADSs to decline.

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

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

Economic policy measures adopted by the Argentine Government, may continue to prevent Argentine companies such as us from accessing the international capital markets or make the terms of any such transactions less

favorable than those provided to companies in other countries in the region, and may therefore negatively impact our financial condition or cash flows.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Law No. 26,854, which regulates injunctions in cases in which the Argentine Government is a party or has intervened, was promulgated on April 30, 2013 as part of a judicial reform bill approved by the Argentine Congress. Among the principal changes implemented pursuant to the judicial reform bill is a time limitation on injunctions imposed in proceedings brought against the Argentine government and the creation of three new chambers of

Casación, each of which must hear an appeal before the matter is considered by the Supreme Court of Justice of Argentina. In addition, Law No. 26,855, which became effective on May 27, 2013, modified the structure and functions of the Argentine *Consejo de la Magistratura* (judicial council), which has the authority to appoint judges, present charges against them and suspend or remove them. As of the date of this annual report, several aspects of this legislation have been struck down as unconstitutional by the Argentine Supreme Court.

On August 7, 2014, Law No. 26,944 on State Responsibility was enacted to regulate government actions. Said law governs the responsibility of the Argentine Government regarding the damages that its activity or inactivity may cause to individuals' properties or rights. Such law establishes that the Argentine Government's responsibility is objective and direct, that the provisions of the civil and commercial codes are not applicable to the actions of the Argentine Government in a direct or subsidiary manner and that no dissuasive financial penalties may be imposed on the Argentine Government, its agents or officers.

On September 18, 2014, the Argentine Congress enacted Law No. 26,991 amending Law No. 20,680 (the "Supply Law"), which became effective on September 28, 2014, to increase control over the supply of goods and provision of services. Such initiative includes the ability of the Argentine Government to regulate consumer rights under Article 42 of the Constitution and permits the creation of an authority to maintain the prices of goods and services (the "Observer of Prices of Goods and Services"). The Supply Law, as amended: (i) requires the continued production of goods to meet basic requirements; (ii) creates an obligation to publish prices of goods and services produced and borrowed; (iii) allows financial information to be requested and seized; and (iv) increases fines for judicial and fiscal persons. The reforms and creation of the Observer of Prices of Goods and Services could adversely affect our operations. An initiative to regulate questions of consumer rights was also approved, creating the *Conciliación Previa en las Relaciones de Consumo* (Prior Conciliatory Procedures For Consumer Relations, or the "COPREC"), where users and consumers may present claims free of charge and have them resolved within 30 days.

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

On October 1, 2014, the Argentine Congress approved the reform, update and unification of the National Civil and Commercial codes. A single new National Civil and Commercial Code became effective on August 1, 2015. The consequences of the reform and its subsequent judicial application cannot be predicted.

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

Risks Relating to the Argentine Electricity and Oil and Gas Sectors

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

To address the Argentine economic crisis in 2001 and 2002, the Argentine Government adopted the Public Emergency Law and other regulations, which made a number of material changes to the regulatory framework applicable to the electricity sector. These changes severely affected electricity generation, distribution and transmission companies and included the freezing of distribution nominal margins, the revocation of adjustment and inflation indexation mechanisms of tariffs, a limitation on the ability of electricity distribution companies to pass on to the consumer increases in costs due to regulatory charges and the introduction of a new price-setting mechanism in the wholesale electricity market (the "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 Ministry of Energy and Mining (“ME&M”) to adopt any measure the ME&M deems necessary regarding the generation, transmission and distribution segments, to adjust the quality, and guarantee the provision of, electricity.

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

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

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

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

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

Distribution and transmission tariffs include a regulated margin that is intended to cover the costs of distribution or transmission, as applicable, and provide an adequate return. Generators, which mostly depend on the sales made to the spot market (the market set by supply and demand of energy available for immediate delivery), used to have stable prices and were able to reinvest their profits to become more efficient and achieve better margins. Under Law No. 23,928 and Decree No. 529/91 (together, the “Convertibility Law”), which established a fixed exchange rate of one Peso per U.S. Dollar, distribution and transmission tariffs and electricity spot prices were calculated in U.S. Dollars and distribution and transmission margins were adjusted periodically to reflect variations in U.S. inflation indexes. In January 2002, pursuant to the Public Emergency Law, which authorized the Argentine Government to renegotiate its public utility contracts, provisions requiring price adjustments based on foreign inflation indexes and all other indexation mechanisms in public utility services agreements between the Argentine Government or any provincial government and the providers of those services (including us) were revoked, and the tariffs for the provision of such services were frozen and converted from their original U.S. Dollar values to Argentine Pesos at a rate of Ps.1.00 per U.S.\$1.00. These measures, coupled with the effect of high inflation and the devaluation of the Peso, led to a decline in revenues in real terms and an increase of costs in real terms, which could no longer be recovered through margin adjustments or market price-setting mechanisms. This situation, in turn, led many public utility companies to suspend payments on their financial debt (which continued to be denominated in

U.S. Dollars despite the pesification of revenues), effectively preventing these companies from obtaining further financing in the domestic or international credit markets and making additional investments. Although the Argentine Government has granted temporary and partial relief to certain companies in the electricity sector, we cannot assure you that these measures will be sufficient to address the structural problems created for our company by the economic crisis and in its aftermath or that similar measures extending the relief granted will be enacted in the future.

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

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

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

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

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

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

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

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

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

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

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

Oil and gas reserves in Argentina are likely to decline

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

and gas reserves, a decline in proved oil and gas reserves in Argentina could have an adverse effect on our business and results of operations.

Risks Relating to our Company

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

We conduct a significant part of our businesses pursuant to public concessions granted by the Argentine Government. These concessions contain several requirements regarding the operation of those businesses and compliance with laws and regulations. Compliance with our obligations under our concessions is typically secured by a pledge of our shares in the concessionaires in favor of the Argentine Government. Accordingly, upon the occurrence of specified events of default under these concessions, the Argentine Government would be entitled to foreclose on its pledge of the concessionaire and sell our shares in that concessionaire to a third party. Such sale would have a severe negative impact on our ability to operate a material portion of our business, and as a result, our results of operations would be materially adversely affected. Finally, our concessions also generally provide for termination in the case of insolvency or bankruptcy of the concessionaire. If any of our concessions are terminated or if the Argentine Government forecloses its pledge over the shares we own in any of our concessionaire companies, such companies could not continue to operate as a going concern, and in turn our consolidated results of operations would be materially adversely affected and the market value of our shares and ADSs could decline.

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

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

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

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

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

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

Our performance is largely dependent on recruiting and retaining key personnel

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

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

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

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

On July 13, 2012, the parties to the Restructuring Agreement, including the Company, entered into a Fifth Amendment to the Restructuring Agreement pursuant to which they agreed on the terms and conditions upon which the restructuring will be consummated. If the restructuring is achieved through the Restructuring Agreement's implementation, the Company and/or its subsidiaries (as financial creditor of Compañía de Inversiones de Energía S.A. or "CIESA") would obtain, direct and indirect ownership over 50% of CIESA's equity, which in turn would control 51% of TGS. The implementation of the restructuring has already been approved by the *Ente Nacional Regulador del Gas* (the National Gas Regulating Agency, or the "ENARGAS"), and has not expressly been approved by the Argentine Antitrust Commission (see "Item 4. Our Business – Other Projects - TGS - CIESA Transaction"). We cannot assure that the Argentine Antitrust Commission will expressly approve the Restructuring Agreement, and although the Company believes that from a legal stand point the Restructuring Agreement has been tacitly approved by the Argentine Antitrust Commission, the board of directors of the Company is evaluating the legal and factual implications and other courses of action without having made a decision as of the date of this

annual report. The outcome of this matter may adversely affect the financial position and results of operations of the Company. If the potential sale of our indirect stake in TGS occurs we cannot assure that the Argentine Antitrust Commission will expressly approve such sale.

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

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

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

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

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

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

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

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

Risks Relating to our Generation Business

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

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

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

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

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

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

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

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

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

The inability of generators, including certain of our subsidiaries, to collect their credits from CAMMESA or to collect them in a timely manner, may have a material adverse effect on the revenues of our generation

subsidiaries and accordingly, on our results of operations and financial condition and the market value of our shares and ADSs.

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

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

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

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

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

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

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

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

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

Loma de la Lata has executed several natural gas provision agreements with producers whose production is included under the terms of the “Gas Plus” program (SE Resolution No. 24/2008). Under such program, the producers are able to sell their production at a price higher than the reference price (gas market value for generators). By virtue of the agreements executed with the Secretariat of Energy, and the mechanism established in Note No. 7585/10 of the Secretariat of Energy (see “Item 4. The Argentine Electricity Sector -Procedure for the Dispatch of Natural Gas for Power Generation”), CAMMESA recognizes such costs to Loma de la Lata.

CAMMESA has to recognize the Gas Plus cost to Loma de la Lata in order for Loma de la Lata to be able to make the corresponding payments to their natural gas suppliers. If CAMMESA does not recognize the Gas Plus cost or if such recognition is delayed, the ability of Loma de la Lata to pay the natural gas suppliers may be affected. Consequently, in such a situation, Loma de la Lata would have to renegotiate the terms and conditions previously agreed with their natural gas suppliers and, in case an agreement is not reached, any of the parties may terminate the contracts under which they committed to supply natural gas. In this respect, during 2012, due to delay in collecting payments from CAMMESA, some renegotiation needed to be made with natural gas producers in order to fulfill Loma de la Lata's obligations and to keep the agreements in force. As a consequence of this situation, Loma de la Lata might need to search for alternative suppliers of natural gas, and if they are unsuccessful in reaching new agreements with natural gas suppliers, their ability to generate electricity using gas plus recognized under the Gas Plus Program could be affected.

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

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

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

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

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

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

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

percentages, Piedra Buena shall pay the applicable installment. A breach of the availability commitments set forth in the loan agreement and the consequent acceleration of the loan may adversely impact in Piedra Buena's results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In Note No. 567/07, as amended, the Secretariat of Energy established the "Cargo Medio Incremental de la Demanda Excedente" ("CMIEE") as a maximum fee for WEM users with a capacity higher than 300 KW ("WEM

Large Users”) for their surplus demand in the event that they do not have their demand backed with a contract under the Energy Plus Program. As of the date of this annual report, the CMIEE applicable to *Grandes Usuarios Mayores* (Major Large Users, or “GUMAs”) and *Grandes Usuarios Menores* (Minor Large Users, or “GUMEs”) is equal to 650 Ps./MWh and for *Grandes Usuarios del Distribuidor* (Major Distribution Users or “GUDIs”) 0 \$/MWh. The CMIEE implies an indirect maximum limit to the price that generators under the Energy Plus Program may charge. The detrimental effect that such limits could have on our generators would worsen if the Peso continues its devaluation. As a consequence, if the CMIEE is not adjusted or a higher devaluation of the Peso occurs, this could result in a fall in prices charged by our generators under their Energy Plus Program contracts or in a discontinuance of the Energy Plus contracts, forcing such generators to sell the capacity and energy unsold in the spot market at lower prices.

Risks Relating to our Transmission Business

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Public Emergency Law also affected the revenues we receive in connection with Transener’s expansion of the NIS. In particular, the income from the construction, operation and maintenance of an

approximately 1,300 km high-voltage electricity transmission line (500 kilovolts (“kV”)) from the Comahue region to the Abasto substation was converted into Pesos at a rate of Ps. 1.00 per U.S. \$1.00 and then adjusted for inflation. Transener has asked the ENRE, in its capacity as the main party to the construction, operation and maintenance agreement relating to Transener’s construction of the transmission line (which includes approximately 2,550 high voltage towers and the expansion of the Piedra del Águila, Choel Choel, Bahía Blanca, Olavarría and Abasto substations, which we refer to collectively as the “Fourth Line”), to redetermine such revenue. On April 25, 2012, the ENRE issued Resolution No. 90/2012, which established a new annual rate of Ps. 113.4 million as from August 2011 and instructed CAMMESA to make the adjustments, including interest. During the year ended December 31, 2012, revenues were recognized in the amount of Ps. 7.3 million, corresponding to the retroactive adjustment for year 2011.

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

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

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

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

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

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

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

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

decreased revenues, which would adversely affect our financial condition and results of operations and cause the market value of our ADSs to decline.

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

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

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

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

Risks Relating to our Distribution Business

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

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

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

During the years ended December 31, 2012 and 2011, Edenor recorded a significant decrease in net income and operating income (recording and operating loss in 2012), and Edenor's working capital and liquidity levels were negatively affected, primarily as a result of the delay in obtaining a tariff increase and in having the tariff adjusted to reflect increases in the distribution costs, coupled with a constant increase in operating costs to maintain adequate service levels, all of which has affected Edenor's capacity to perform its commercial obligations. In this context and in light of the situation that affected the electricity sector, the ENRE issued Resolution No. 347/2012 in November 2012, which established the application of fixed and variable charges that have allowed Edenor to obtain additional revenue as from November 2012 through 2016. However, changes made by SE Resolution No. 250/2013 and Notes No. 6852/2013, No. 4012/2014, No. 486/2014 and No. 1136/2014 and the additional revenue obtained through SE Resolution No. 347/2012 were insufficient to make up Edenor's operating deficit in 2014, due to the constant increase in operating costs.

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

In January 2016, the ME&M issued Resolution No. 7/2016, pursuant to which the ENRE implemented a VAD adjustment to the tariff schedule on account of the future RTI in effect as of February 1, 2016, and is expected to take all necessary action to conclude the RTI process by December 31, 2016.

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

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

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

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

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

Edenor's inability to obtain tariff adjustments in line with future changes in costs could result in Edenor's inability to meet obligations vis-a-vis CAMMESA, Edenor's major supplier, and could have a material adverse

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

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

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

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

Our distribution business has been, and may continue to be, subject to fines and penalties that could have a material adverse effect on our financial condition and results of operations, in particular as a result of a recent measure adopted by the ENRE

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

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

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

valued as per Edenor's "remuneration" and Edenor has therefore calculated such amounts according to its interpretation of the Note. Regarding this, Edenor believes that the term "remuneration" should be interpreted to mean those amounts effectively paid by the users through the tariff.

As of the date of this annual report, fines and penalties in an aggregate amount equal to Ps. 364.1 million (at historical values) are subject to the Note. Edenor believes that such amount as adjusted to reflect accrued interest according to the Note would increase by Ps. 129.0 million. As of the date of this annual report, it is unclear what will be the ENRE's interpretation of "remuneration" with respect to fines and penalties not yet imposed on Edenor relating to events that occurred prior to April 15, 2016. If the ENRE interpreted that the term "remuneration" includes all amounts received by Edenor in the form, or in lieu, of subsidies, such amount could be significantly higher (in a range of three to five times higher).

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

In Edenor's opinion, any adjustments to fines and penalties (whether by virtue of the Note or otherwise, and including the accrual of interest as provided in the Note) should not be applicable to Edenor because the delay in imposing such fines and penalties is not attributable to it but to the Argentine Government. Additionally, Edenor understands the Argentine Government would be strictly binding Edenor to the terms of the Adjustment Agreement without taking into account certain omissions in recognizing its rights thereunder, mainly in connection with Edenor's right to have tariffs adjusted to reflect increases in operation costs to be able to provide its services adequately.

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

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

Our distribution concession does not allow our distribution business to pass through to our customers the cost of additional energy purchased to cover any energy losses that exceed the loss factor contemplated by the concession, which is, on average, 10%. As a result, if our distribution business experiences energy losses in excess of those contemplated by the concession, we may record lower operating profits than we anticipate. Prior to the 2001 and 2002 economic crisis in Argentina, Edenor had been able to reduce the high level of energy losses experienced at the time of the privatization to the levels contemplated (and reimbursed) under the concession. However, during the last years, Edenor's level of energy losses, particularly Edenor's non-technical losses, started to grow again, in part as a result of the increase in poverty levels and, with it, the number of delinquent accounts and fraud. Although Edenor continues making investments to reduce energy losses, these losses continue to exceed the 10% average loss factor contemplated in the concession, and based on the current tariff schedule and the economic turmoil, we do not expect these losses to decrease in the near term. Energy losses in our distribution business amounted to 14.9% in 2015, 14.3% in 2014 and 13.0% in 2013. We cannot assure you that energy losses will not increase again in future periods, which may lead to lower margins in our distribution segment and could adversely affect our financial condition and consolidated results of operations and the market value of our shares and ADSs.

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

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

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

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

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

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

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

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

Certain restrictions on imports that may be adopted in the future by the Argentine Government could limit or delay Edenor’s ability to purchase capital goods that are necessary for our operations (including carrying out specific projects) (see “The actions taken by the Fernández de Kirchner administration to reduce imports may adversely affect our ability to access capital goods that are necessary for our operations”). Under Edenor’s concession, it is obligated to satisfy all of the demand for

electricity originated in its concession area, maintaining at all times certain service quality standards that have been established for its concession. If Edenor is not able to purchase significant capital goods to satisfy all of the demand or suffer unexpected delays in the import process, it could face fines and penalties which may, in turn, adversely affect its activity, financial position and results of operations.

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

We outsource a number of activities related to our distribution business to third-party contractors in order to maintain a flexible cost base. As of December 31, 2015, we had approximately 2,927 third-party employees under contract in our distribution business. Although we have very strict policies regarding compliance with labor and social security obligations by contractors, we are not in a position to ensure that contractors will not initiate legal actions to seek indemnification from us based upon a number of judicial rulings issued by labor courts in Argentina which have recognized joint and several liability between the contractor and the entity to which it is supplying services under certain circumstances. We cannot make any assurances that such proceedings will not be brought against us or that the outcome of such proceedings would be favorable to us. If we were to incur material labor liabilities in connection with the outsourcing of our distribution business, such liabilities could have an adverse effect on our financial condition and consolidated results of operations and the market value of our shares and ADSs.

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

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

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

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

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

Although our distribution concession grants us the exclusive right to distribute electric energy within our service area, this exclusivity may be revoked in whole or in part if technological developments would make it possible for the energy distribution industry to evolve from its present condition as a natural monopoly into a competitive business. In no case does the complete or partial revocation of our exclusive distribution rights entitle us to claim or to obtain reimbursement or indemnity. Although, to our knowledge, there are no current projects to introduce new technologies in the medium or long term which might reasonably modify the composition of the electricity distribution business, we cannot assure you that future developments will not enable competition in our

industry that would adversely affect the exclusivity right granted by our concession. Any total or partial loss of our exclusive right to distribute electricity within our service area would likely lead to increased competition, and result in lower revenues in our distribution segment, which could have a material adverse effect on our financial condition and consolidated results of operations and the market value of our shares and ADSs.

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

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

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

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

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

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

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

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

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

As of the date of this annual report, approximately U.S.\$191.1 million of Edenor's financial debt is represented by its Senior Notes due 2017 and 2022. Under the indentures for the Senior Notes due 2017 and 2022, certain expropriation and condemnation events with respect to Edenor may constitute an event of default, which if declared could trigger acceleration of our obligations under the notes and require Edenor to immediately repay all such accelerated debt. In addition, all of Edenor's outstanding financial indebtedness contains certain events of default related to bankruptcy and voluntary reorganization proceedings (*concurso preventivo*). If Edenor is not able to fulfill certain payment obligations as a result of its current financial situation, and the requirements set forth in the

Argentine Bankruptcy Law No. 24,522 are met, any creditor, or even Edenor, could file for its bankruptcy, or Edenor could file for a voluntary reorganization proceeding (*concurso preventivo*). In addition, all of Edenor's outstanding financial indebtedness also contains cross-default provisions and/or cross-acceleration provisions that could cause all of Edenor's debt to be accelerated if the debt containing expropriation and/or bankruptcy and/or reorganization proceeding events of default goes into default or is accelerated. In such a case, Edenor would expect to actively pursue formal waivers from the corresponding financial creditors to avoid this potential situation, but in case those waivers are not obtained and immediate repayment will be required, Edenor could face short-term liquidity problems, which could adversely affect our results of operations and cause the market value of our ADSs to decline.

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

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

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

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

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

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

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

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

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

Risks Relating to our Oil and Gas business

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

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

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

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

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

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

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

Petrolera Pampa's sole corporate purpose is the study, exploration, exploitation, commercialization, industrialization and storage of solid, liquid and/or gaseous hydrocarbons and their derivatives. Petrolera Pampa's ability to generate revenues, cover its fixed and variable costs and meet its financial obligations depends on the success of Petrolera Pampa's oil and gas exploration and production projects. As of December 31, 2015, more than 95% of Petrolera Pampa's total revenues were derived from the sale of natural gas. A significant portion of

Petrolera Pampa's natural gas production, 72%, was concentrated in the Rincón del Mangrullo block. Accordingly, any unexpected interruption in production at this block for an extended period of time could negatively impact Petrolera Pampa's results of operations and ability to generate sufficient cash flows.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Environmental, health and safety regulation and case law in Argentina is developing at a rapid pace and no assurance can be provided that such developments will not increase Petrolera Pampa's cost of doing business and

liabilities. In addition, due to concern over the risk of climate change, a number of countries have adopted, or are considering the adoption of, new regulatory requirements to reduce greenhouse gas emissions, such as carbon taxes, increased efficiency standards, or the adoption of cap and trade regimes. If adopted in Argentina, these requirements could make Petrolera Pampa's products more expensive as well as shift hydrocarbon demand toward relatively lower-carbon sources such as renewable energies.

Risks Relating to our Shares and ADSs

Restrictions on the movement of capital out of Argentina may impair the ability of holders of ADSs to receive dividends and distributions on, and the proceeds of any sale of, the shares underlying the ADSs, which could affect the market value of the ADSs

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

ADS holders' ability to receive cash dividends may be limited

Our shareholders' ability to receive cash dividends may be limited by the ability of the depository to convert cash dividends paid in Pesos into U.S. Dollars. Under the terms of our deposit agreement with the depository for the ADSs, the depository 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 depository 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 depository cannot convert the foreign currency, shareholders may lose some or all of the value of the dividend distribution.

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

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

well-defined and enforced in Argentina that in the United States, putting holders of our common shares and ADSs at a potential disadvantage.

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

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

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

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

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

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

Item 4A. Unresolved Staff Comments

During 2016, the Company engaged in discussions with the Commission regarding the comments by the staff of the Commission (the “Staff” to the annual report on Form 20-F for the year ended December 31, 2014 of the Company’s subsidiary Edenor, relating to the presentation in the statement of cash flows of the financial assistance granted by the Argentine Government to Edenor during 2014 and 2015. Such financial assistance was made, through various loan agreements for the consumption and assignment of secured receivables, in order to pay higher salary costs and also to cover the insufficiency of the funds deriving from the FOCEDA (the “loans for investments and salaries”).

As a result of such discussions, the Company concluded that the cash inflows from these loans should be presented within financing activities in the Statement of Cash Flows, as relevance must be placed more on the fact that these agreements were instrumented as loans than in the underlying reasons for these agreements, which was to provide an alternative source of cash inflows due to the lack of increases in tariffs and review of the concession contract for the last 15 years.

Accordingly, the Company’s statements of cash flows for the years ended December 31, 2015 and 2014 have been restated 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 Edenor’s loans with CAMMESA for funds received by the FOCEDA for the years ended December 31, 2015 and 2014 have been restated and are now presented as non-cash financing transactions in the supplementary disclosures to the statement of cash flows instead of operating activities as previously disclosed.

For a further information, see Note 1 to our restated consolidated financial statements included elsewhere in this annual report.

Although the Company has not received formal confirmation that the Staff has no further comments, the Company believes that the restatement described above and in our restated audited consolidated financial statements is appropriately responsive to the Staff’s comments.

Item 5. Operating and Financial Review and Prospects

This section contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including, without limitation, those set forth in “Forward-Looking Statements,” and “Item 3. Key Information—Risk Factors” and the matters set forth in this annual report generally.

The following discussion is based on, and should be read in conjunction with our Restated Consolidated Financial Statements and related notes contained in this annual report, as well as “Item 3. Key Information—Selected Financial Data.”

Overview

We acquired all of our principal generation, transmission and distribution assets commencing in the second half of 2006 and, in each case, after Messrs. Damián Mindlin, Gustavo Mariani, and Ricardo Torres acquired a majority stake in us in November 2005. At the time of our acquisition by these individuals, we did not have any operations or engage in any activities, as our former business activities, which were limited to the ownership and operation of a cold storage warehouse building, were suspended in 2003. Since November 2005, our business activities consist principally in identifying and executing investments in the Argentine electricity sector. As a result of the acquisitions we have consummated since the second half of 2006, we have become the largest fully integrated electricity company in Argentina.

Below is a summary of our principal generation, transmission and distribution assets, as of the date of this annual report, including the respective acquisition date and price for each asset:

- *Generation:*
 - 90.3% of the capital stock of Nihuiles and 91.6% of the capital stock of Diamante (each a holding company that owns a majority interest in HINISA and HIDISA, respectively, each a hydroelectric power generation company), acquired for a combined purchase price of approximately U.S. \$55.7 million, of which U.S. \$50.8 million were paid at closing on October 18, 2006 and U.S. \$4.9 million (plus interest) were paid on March 7, 2012. On January 8 and 9, 2008, we acquired for Ps. 3.4 million the shares previously held by HIDISA's Employee Participation Program, representing 2% of the capital stock of HIDISA. Following such acquisition, all Class C shares of HIDISA were converted to Class B shares, which are freely transferable to third parties. Therefore, we currently control indirectly, 61% of the capital stock and voting rights of HIDISA. On December 18, 2009, the shareholders of HINISA agreed to cancel its Class "E" shares corresponding to HINISA's Employee Stock Option Plan, representing 2% of its capital stock, as a result we now indirectly own 52.04% of the shares and votes of HINISA;
 - 100% of the capital stock of IPB which, in turn, holds 100% of the capital stock of Piedra Buena, a thermal generation plant located at Ingeniero White, Bahia Blanca in the Province of Buenos Aires, acquired on August 3, 2007, for a total purchase price of U.S. \$85.0 million;
 - 100% of the capital stock of Loma de la Lata was merged with Powerco (See "Item 4. Our Business – Our Generation Business – Loma de la Lata - History") formerly owner of 15.48% of the voting capital stock of Güemes; we acquired an indirect stake in Powerco through the acquisition of 100% of Pampa Inversiones' capital stock (which was at that time known as Dilurey and held 90% of Powerco's capital stock) and a direct 8% stake in Powerco on January 4, 2007 for a total purchase price of U.S. \$16.7 million and the remaining 2% of Powerco's capital stock on August 24, 2007 for U.S. \$460,000 pursuant to an option agreement between us and Güemes' former chief executive officer. Also, Loma de la Lata, which owns the thermal generation plant located at Loma de la Lata in the Province of Neuquén, which was acquired from Central Puerto on May 17, 2007 for a purchase price of U.S. \$60 million (Loma de la Lata also holds 62,157,407 ordinary shares of Güemes, representing 64.25% of Güemes' voting capital stock); and
 - 90.43% of the capital stock of CTG, which owns (i) a thermal generation plant (Central Térmica Güemes) with an installed capacity of 361 MW located in General Güemes, in the Province of Salta, which we acquired in January 2007; and (ii) a thermal generation plant (Central Térmica Piquirenda) with an installed capacity of 30 MW located in Piquirenda, General San Martín, in the Province of Salta, which we acquired in March 2011.
- *Transmission:* 100% of the capital stock of Transelec, which holds 50% of the capital stock of Citelec, the owner of 52.65% of the capital stock of Transener (the largest electricity transmission company in Argentina). We acquired from Dolphin Opportunity LLC on September 15, 2006, 89.76% of Transelec's capital stock for a purchase price of U.S. \$48.5 million; the remaining 10.24% of Transelec's capital stock was collectively held by Messrs. Marcelo Mindlin, Damián Mindlin and Gustavo Mariani, who had a right to sell those shares to us after January 1, 2008. This right was exercised on January 2, 2008 for a total purchase price of Ps. 38.8 million (U.S. \$12.3 million).
- *Distribution:* 100% of the capital stock of IEASA, which holds 100% of the capital stock of EASA, the owner of 51% of the capital stock of Edenor (the largest electricity distribution company in Argentina), acquired on September 28, 2007 from the former indirect shareholders of EASA in exchange for 480,194,242 shares of our common stock (of which 436,745,975 were issued in the form of Global Depositary Receipts ("GDSs")).
- *Oil and Gas:* 49.6% of the capital stock of Petrolera Pampa.

In addition to our principal businesses, below is a summary of certain non-electricity assets and investments we hold in our holding and others segments, directly or indirectly, including the respective acquisition date and price for each asset:

- Beneficiary and trustee under the Trust Agreement dated August 29, 2005, pursuant to which The Royal Bank of Scotland, Argentina branch, holds in trust 40% of CIESA shares See “Item 4. – Our Business – Oil and Gas – CIESA Transaction”.
- On April 8, 2011, we acquired 100% of the shares issued by PEPCA, a company which owns 10% of the share capital of CIESA, for a total purchase price of U.S. \$29 million.
- 100% of the capital stock of Bodega Loma la Lata S.A.
- 100% of the capital stock of Greenwind S.A.

Sources of Revenues

Generation

Our generation operations derive revenues from the sale of electricity in the spot market and under term contracts, including *Energía Plus* contracts and contracts under SE Resolution No. 220/2007. See “Item 4.—The Argentine Electricity Sector—*Energía Plus*.”

Distribution

Our distribution operations generate revenues mainly from energy sales to users in our distribution service area. Energy sales reflect the distribution tariffs Edenor charges its customers (valued on the basis of applicable tariffs and the charges resulting from the application of SE Resolution No. 347/2012). In addition, our distribution revenues include connection and reconnection charges and leases of poles and other network equipment.

Revenue from electricity provided by Edenor to low-income area and shantytowns is recognized to the extent that the framework agreement has been renewed for the period in which the service was rendered.

Oil & Gas

Our oil and gas operations derive revenues from the sale of natural gas, through term contracts under the Gas Plus Regime or to industrial clients at similar prices. Additionally, our oil production is sold to our partners with which we are associated in areas of production.

Factors Affecting Our Results of Operations

Our results of operations are principally affected by economic conditions and inflation in Argentina, changes in prices for our electricity sold and in our regulated transmission and distribution tariffs, fluctuations in demand for electricity in Argentina and our costs of sales and operating expenses.

Argentine Economic Conditions and Inflation

Because substantially 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,				
	2015	2014	2013	2012	2011
Real GDP (% change)	2.5	0.4	3.1	0.7	8.3
Nominal GDP (in millions of Pesos)	6,041,476	4,425,694	3,406,265	2,765,575	2,312,009
Real Consumption (% change)	1.3	(0.5)	4.3	4.3	10.2
Real Investment (% change)	2.2	(5.5)	3.1	(7.0)	19.4
Industrial Production (% change)	0.1	(1.8)	0.0	(7.8)	6.5
Consumer Price Index **	11.9	21.4	10.6	10.0	9.8
Nominal Exchange Rate (in Ps./U.S.\$ at year end)	13.4	8.6	6.5	4.9	4.3
Exports (in millions of U.S.\$)	59,597	71,977	81,660	80,927	83,950
Imports (in millions of U.S.\$)	57,420	65,324	73,656	68,508	73,937
Trade Balance (in millions of U.S.\$)	2,177	6,653	8,005	12,419	10,013
Current Account (% of GDP)	(1.4)	(0.9)	(0.8)	(0.2)	(0.7)
Reserves (in millions of U.S.\$)	25,563	31,443.0	30,599.0	43,290.0	46,376.0
Tax Collection (in millions of Pesos)	1,537.9	1,169.7	858.8	679,799.0	540,134.0
Primary Surplus (in millions of Pesos)	(106,522)	(38,561.9)	(22,479.0)	(4,374.0)	4,921.0
Public Debt (% of GDP at December 31)*	39.4	41.6	34.6	34.5	34.2
Public Debt Service (% of GDP)	2.8	2.5	2.6	1.9	2.6
External Debt (% of GDP at December 31)	14.7	15.8	11.7	11.8	12.9

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.

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 jointly 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 vicepresident 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 8.4%, 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).

In 2012, according to the official information created and disseminated by the INDEC, the economy expanded 0.8%. Although the real GDP continued growing during that year, there was a marked deceleration with respect to the growth rate registered in 2011.

According to official indicators, Argentina's real GDP grew around 2.9% in 2013, compared to 0.8% 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 grew by approximately 0.2%, compared to 2.9% 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, the depreciation of the Peso a slowdown in credit extended to the private sector and a greater propensity in customers for saving in times of uncertainty.

Regarding the internal market, in 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 2.5%. 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 showed 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 recent congressional and presidential elections on the future economic and political environment of Argentina is 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 consequently, our results of operations or financial condition”), which caused the Peso to U.S. Dollar exchange rate to reach Ps.13.40 to U.S.\$1.00.

Outlook for 2016

Forecasts for 2016 are characterized by caution. The macroeconomic context and the imbalances (including high inflation, fiscal deficit, monetary and trade restrictions) deriving from certain policies adopted during recent years represent substantial obstacles for the Macri administration to introduce economic policy shifts. As of the date of this annual report, a drop in real GDP is expected for 2016, along with an inflation rate which would remain high, surpassing that of 2015.

Electricity prices and tariffs

Our revenues and margins are substantially dependent on the prices we are able to charge for the electricity sold by our generation plants, as well as the composition of our transmission and distribution tariffs (including the tariff setting and adjustment process contemplated by our transmission and distribution concessions). Our management is currently focused on improving the prices we are able to charge for electricity generated, including by expanding our generation capacity to increase our sales to the unregulated market under the *Energía Plus* regulatory framework and under supply agreements within the framework of the SE Resolution No. 220/2007, and renegotiating our transmission and distribution tariff structures, which, if successful, would have a significant impact on our results of operations.

Electricity prices

Our generation operations derive revenues from the sale of electricity in the spot market and under term contracts, including *Energía Plus* contracts and supply agreements.

During 2013, the authorities responsible for the energy sector have continued with the policy adopted in 2003, which consists of having the spot price in the WEM determined on the basis of the maximum variable production costs recognized to power stations that are either gas-fed or available with natural gas, even if these cannot avail themselves of gas (SE Resolution No. 240/2003). Therefore, this price, as established, does not stem from the application of the marginal cost of the least efficient power plant dispatched. Rather, the assumption used is that gas is freely available and therefore, the spot price determined is equal to the marginal cost of the last gas-fed power station dispatched, even if it does not have gas availability. Therefore, when the least efficient power plant that has been dispatched is, for example, fuel-oil-fed, its cut-off price is not determined as the spot price, but rather, the WEM spot price is recognized as the cost that would have resulted if natural gas had been used instead and the additional cost incurred when using liquid fuels is recognized outside the determined WEM spot price, as a temporary dispatch surcharge.

The relevant authorities have resorted to a number of procurement mechanisms for the supply of fuels for electricity generation, including an agreement with the principal electricity generators, which provides that natural gas volumes will be managed by CAMMESA with a view to optimizing the following (see “Item 4. The Argentine Electricity Sector – Procedure for the Dispatch of Natural Gas for Power Generation”):

- natural gas consumption in the most efficient generation units,
- contracts for liquefied natural gas and its re-gasification, and
- natural gas imported from Bolivia, among others.

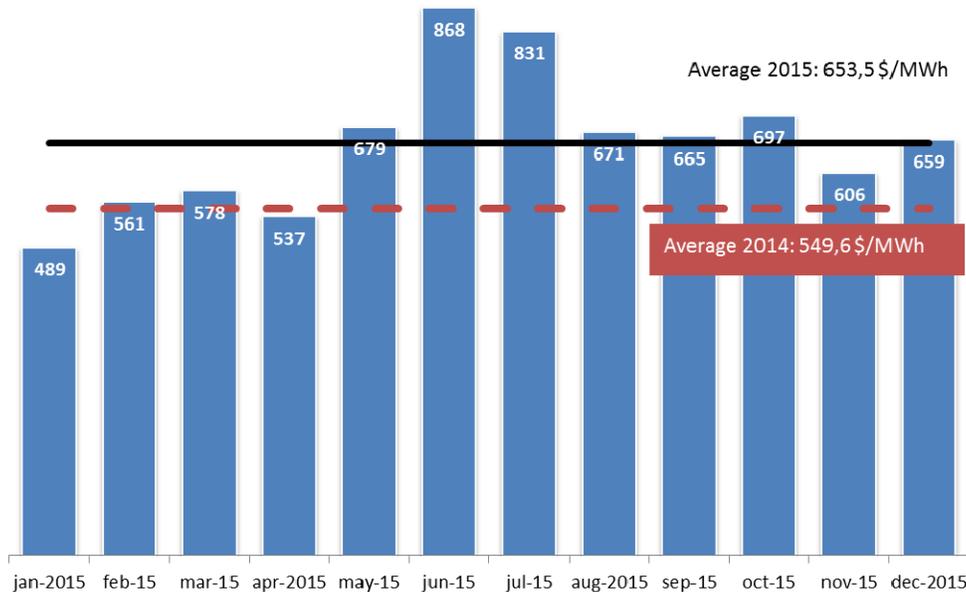
All of this notwithstanding, the supply of natural gas continues to be insufficient to meet the needs of electricity generation, which explains why electricity generation has had to continue relying on the consumption of liquid fuels.

The consumption of natural gas for electricity generation in 2015 increased 1.0% compared to 2014 (14,438,163 Dam³ in 2015 compared to 14,295,128 Dam³ in 2014). There was a 13.4% increase in fuel-oil consumption in 2015 compared to 2014 and a 24.7% increase in gasoil consumption compared to 2014. Mineral coal consumption was 5.5% lower in 2015 compared to 2014 (948,855 tn in 2015 compared to 1,004,376 tn in 2014). The electricity demand for 2015 increased 4.4% compared to 2014.

In February 2013, the SE Resolution No. 95/2013 established a remuneration scheme, for “comprised generators”, whereby the remuneration of generation capacity of Ps.12 per MW was replaced with a remuneration of fixed costs from a minimum of Ps. 12 per MW and up to Ps. 52.8 per MW depending on the type of technology of each generation and its availability. Such remuneration was later modified by SE Resolution No. 529/2014, SE Resolution No. 482/2015 and SEE Resolution No. 22/2016 (see “Item 4. - The Argentine Electric Sector - SE Resolution No. 95/2013, as amended – New price scheme and other modifications to the WEM).

The chart below shows the monthly average cost during 2015 (compared with 2014) that electricity consumers should pay for the system not to be deficient. This cost includes, in addition to the price of energy, the capacity charge, the increased generation cost resulting from using fuel oil or diesel oil, and other minor items.

Monthly Average Monomic Cost (Ps. Per MWh)



Source: CAMMESA. It includes charges for excess demand, imports from Brazil and WEM supply agreements.

Tariffs

Transmission. Our transmission tariffs have four components:

- (1) electricity transmission revenue;
- (2) capacity charges;
- (3) connection charges; and
- (4) reactive equipment charges.

The tariffs are paid on a monthly basis by CAMMESA out of the amounts it collects from local electricity distribution companies, generators and large users of electricity. The tariffs that Transener and Transba receive under their concession agreements are reviewed periodically by the ENRE and are subject to deductions for penalties for non-availability of the network that are calculated pursuant to a formula set forth in the concession agreements and applicable regulations. Originally, pursuant to the concession agreements, Transener's and Transba's tariffs were calculated in U.S. Dollars and converted into Pesos based on the exchange rate applicable at the time of invoicing. The concession agreements provided for a semiannual adjustment based on a formula related to the U.S. CPI (Consumer Price Index) and U.S. PPI (Producer Price Index). The concession agreements also provided for electricity transmission revenue to be revised every five years by the ENRE. However, the Public Emergency Law converted Transener's and Transba's revenues into Pesos at a rate of Ps. 1.00 per U.S. \$1.00 and adjustments to the U.S. CPI/PPI provided for under the terms of the concession agreements were disallowed. Transener completed its first tariff review process in 1998, but as a consequence of the Public Emergency Law, Transener's second tariff review process (and Transba's first tariff review process) was replaced by the renegotiation process contemplated by the Public Emergency Law. In connection with this renegotiation process, Transener and Transba entered into new agreements with the Argentine Government. These agreements, among other things, provide for rules for a transition period with retroactive effect from June 1, 2005 until the effectiveness of the Transener RTI. Under the transition period rules, Transener's tariffs were increased by an average of 31% and Transba's tariffs were increased by an average of 25%.

According to the terms of Transener's agreement with the Argentine Government, the Transener RTI will be based on the Electricity Law and tariffs will be determined based on costs, necessary investments, non-automatic tariff adjustment mechanisms, the impact of unregulated activities and rate of return and capital base. The ENRE will schedule a public hearing to analyze Transener's and Transba's tariff proposal before applying the new charges for the next tariff period. If the variation of Transener's remuneration resulting from the Transener RTI is higher than the tariff increase during the transition period, then the tariff increase would be implemented in three semiannual stages.

On August 5, 2008, the Secretariat of Energy adopted SE Resolutions No. 869/2008 and No. 870/2008, which establish that the new tariffs to be adopted pursuant to the Transener RTI will become effective in February 2009. However, as of the date of this annual report, the ENRE has not yet called the public hearing mandated by the Secretariat of Energy in SE Resolutions No. 869/2008 and No. 870/2008.

Due to the increase in labor costs resulting from the application of National Executive Branch Decree No. 392/2004 and subsequent regulation, and the major operating costs incurred since 2004, Transener and Transba have certified the cost variations that had effectively occurred on each quarter, filing the respective claims before the ENRE, in order to readjust their regulated remuneration according to the clauses established in the Definitive Agreements for such purpose. In that way, Transener and Transba, unsuccessfully required the ENRE to recognize the cost increases in the tariff that occurred after the Definitive Agreements had been entered into, that led to the initiation of judicial claims. The UNIREN ACT has stated that the mechanism for monitoring of costs and regime of service quality had been set to last up to the enforcement of Transener and Transba's RTI, respectively, and that the delay in the definition of said process is not attributable to the Concessionaires and it could not lead to undermine their rights.

Finally, on December 21, 2010, an Instrumental Agreement (the “Instrumental Agreement”) related to the Definitive Agreements was entered into with the Secretariat of Energy and the ENRE, setting forth as follows:

- (i) the recognition of Transener and Transba’s rights to collect the amounts resulting from the variations of costs during the period from June 2005 to November 2010;
- (ii) the mandatory cancellation of the financing received from CAMMESA, through the assignment of credits resulting from the recognition of the above mentioned variations of costs;
- (iii) a mechanism of cancellation of the pending balances,
- (iv) an additional financing amount to be directed to investments in the transmission system for the amount of Ps. 34.0 million for Transener and Ps. 18.4 million for Transba, to be cancelled through the mechanism described in (ii); and
- (v) a procedure for the updating and payment of cost variations incurred from December 1, 2010 to December 31, 2011, calculated biannually.

In February 2011, CAMMESA made an estimation of the amounts owed to Transener and Transba due to the variations of costs generated during the period from June 2005 to November 2010. As of January 17, 2011 such amounts were as follows:

Differences for Connection and Capacity

	Transba	Transener	Total
	(in millions of Pesos)		
Principal	75.9	189.3	265.2
Interest	43.2	104.8	148.0
Total	119.1	294.1	413.2

Pursuant to the Instrumental Agreement and subject to its fulfillment, Transener and Transba withdrew their judicial claims for delay against the ENRE requesting the recognition of the increased costs and the public hearing in order to complete the full RTI.

On May 12, 2009 Transener and Transba entered into Financing Agreements with CAMMESA for an amount of Ps. 59.7 million and Ps. 30.7 million, respectively. On January 5, 2010, the Addenda I were subscribed for an amount of Ps. 107.7 million and Pesos 42.7 million, for Transener and Transba, respectively.

On May 2, 2011, the Addenda II were entered into with CAMMESA, which provide the following: (i) the amounts received as of January 17, 2011 by Transener and Transba by virtue of the loans granted by the Financing Agreements with CAMMESA would be cancelled, (ii) a new loan for Transener and Transba for the amount of Ps. 289.7 million and Ps. 134.1 million respectively, corresponding to the credits recognized by the Secretariat of Energy and the ENRE resulting from the variations of costs incurred during the period of June 2005 – November 2010 would be granted, and (iii) all amounts owed to Transener and Transba for major costs as of November 2010 under the Instrumental Agreements would serve as a guarantee for the Addenda II.

In May 2013, Transener and Transba executed with the ENRE and the Secretariat of Energy, the Renewal Agreement, setting forth the following:

- (i) the recognition of Transener and Transba’s rights to collect the amounts resulting from the variations of costs during the period from December 2010 to December 2012,
- (ii) the payment of outstanding balances from Addenda II, and
- (iii) a procedure for the updating and payment of cost variations incurred from January 1, 2013 to December 31, 2015, calculated biannually.

On October 25, 2013 and February 14, 2014, Transba and Transener, respectively, negotiated the Addenda III.

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

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

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

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

The results arising from the recognition of the variations of costs on behalf of the Secretariat of Energy and the ENRE have been registered in the Restated Consolidated Financial Statements, up to the amounts received as of December 31, 2015, through the financing of CAMMESA. Consequently, net revenues amounting to Ps. 1,326.1 million and Ps. 850 million, and interest income amounting to Ps. 176.5 million and Ps. 281.4 million, have been registered by Transener and Transba during the fiscal years ended December 31, 2015 and 2014, respectively.

Pursuant to the New Financing Agreement, Renewal Agreement and the Amendment to the Renewal Agreement, Transener and Transba are currently in communication with the relevant authorities to implement a scheme that would better allow them to fund their business plan. This information consists in monthly cash flows, investments execution and implementation of funds requirements. The outcome of the Transener RTI, however, is highly uncertain as to both its timing and final result. We cannot assure you that the renegotiation process will conclude in a timely manner or that the revised tariff structure will cover our costs and compensate us for inflation and currency devaluations in the future and provide us with an adequate return on our transmission assets.

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

Distribution. Under the terms of Edenor's concession, the tariffs charged by Edenor (other than those applied to customers in the wheeling system, described below) are composed of:

- the cost of electric power purchases, which Edenor passes on to its 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 Edenor's energy losses in its distribution activities (determined by reference to a fixed percentage of energy and power capacity for each respective voltage level set forth in our concession);
- Edenor's regulated distribution margin, which is known as the value-added for distribution, plus the fixed and variable charges contemplated under SE Resolution No. 347/2012; and

- any taxes imposed by the Province of Buenos Aires or the City of Buenos Aires, which may differ in each jurisdiction.

Certain large users are eligible to purchase their energy needs directly from generators in the WEM and acquire from Edenor only the service of delivering that electricity to them. Edenor's tariffs for these large users (known as wheeling charges), therefore, do not include charges for energy purchases. Accordingly, wheeling charges consist of the fixed charge for recognized energy losses (determined by reference to a fixed percentage of energy and power capacity for each respective voltage level set forth in Edenor's concession) and Edenor's distribution margin.

Edenor's concession originally contemplated a fixed distribution margin for each tariff parameter with semiannual adjustments based on variations in the U.S. wholesale price and U.S. consumer price indices. However, the Public Emergency Law, enacted in January 2002, among other measures, revoked all adjustment clauses in U.S. Dollars or other foreign currencies and indexation clauses. As a result, the adjustment provisions contained in Edenor's concession were no longer in force and, from January 2002 through February 2007, Edenor was required to charge the same fixed distribution margin in Pesos established in 2002, without any type of currency or inflation adjustment.

Pursuant to the Adjustment Agreement, which came into effect in February 2007, the Argentine Government granted Edenor an increase in Edenor's distribution margin. Although this increase applied to all of Edenor's tariff categories, the amount of the increase was only allocated to Edenor's non-residential customers (including wheeling customers), while Edenor's residential customers did not experience any increase in VAD. The increase is effective retroactively from November 1, 2005 and will remain in effect until the approval of a new tariff scheme under the integral tariff revision process described below. The Adjustment Agreement also contemplates a cost adjustment mechanism, known as the CMM, which requires the ENRE to review Edenor's actual distribution costs every six months (in May and November of each year).

Pursuant to the Adjustment Agreement, Edenor is currently engaged in an integral tariff revision process with the ENRE. As of the date of this annual report, the Edenor RTI has not yet been completed.

On November 12, 2009, Edenor submitted an integral tariff proposal to the ENRE's Board of Directors as requested by ENRE Resolution No. 467/2008. The proposal included, among other factors, a recalculation of the compensation Edenor receives for its distribution services, including taxes that are not currently passed through to their customers (such as taxes on financial transactions), a revised analysis of its distribution costs, modification to its quality of service standards and penalty scheme and, finally, a revision of its asset base and rate of return.

Additionally, in June 2013, Edenor filed a complaint against the Argentine Government requesting full enforcement of the Adjustment Agreement and compensation for damages as a result of non-compliance with the commitments established therein. The damages claimed in the complaint were extended in November 2013. In February 2014, Edenor filed for injunctive relief with the Federal Court requesting that the Argentine Government be compelled to provide Edenor with economic assistance during the course of the litigation. This request was denied in both first and second instance in June 2014 and December 2014, respectively.

In Edenor's opinion, the RTI process will have to factor in a revised analysis of its distribution costs, modifications to its quality of service standards and penalty scheme and, finally, a revision of Edenor's asset base and rate of return, and the balances and other issues resulting from the measures recently adopted by the Argentine Government to provide it with temporary and partial relief.

Such issues include, among other: (i) the treatment to be given to the outstanding amounts granted under the loans for consumption to cover the insufficiency of the funds deriving from the FOCEDA; (ii) the conditions for the settlement of the outstanding debt with CAMMESA as of the date of issuance of SE Resolution No. 32/2015, for which purpose Edenor has submitted and are currently negotiating a repayment plan; (iii) the treatment to be given to the penalties and discounts determined prior and subsequent to the Adjustment Agreement (In Edenor's opinion the generation and accumulation of unpaid balances for this concept are not attributable to the Distribution Company inasmuch as the inaction and discretionary decisions of the Grantor of the Concession in the past have led to the deterioration of Edenor's economic and financial equation, thus preventing it from complying with its basic and elemental obligations for the provision of the public service); (iv) an agreement on quality levels and a new system

of penalties and discounts that provides for an adequate transitional period until the tariff schedule resulting from the RTI is fully implemented; and (v) the termination and liquidation of the FOCEDE and its effects.

The outcome of the renegotiation of Edenor’s tariff structure is highly uncertain. We cannot assure you that the renegotiation process will conclude in a timely manner or that the revised tariff structure will provide Edenor with an adequate return on its asset base, or that if an adjustment agreement is reached that it will not be challenged by Argentine consumer and other groups, something that, if successful, could materially adversely affect Edenor’s ability to implement any tariff adjustments granted by the Argentine Government. For a more detailed review of our distribution tariff adjustment process and history please see “Item 4.- Our Business - Our Distribution Business”.

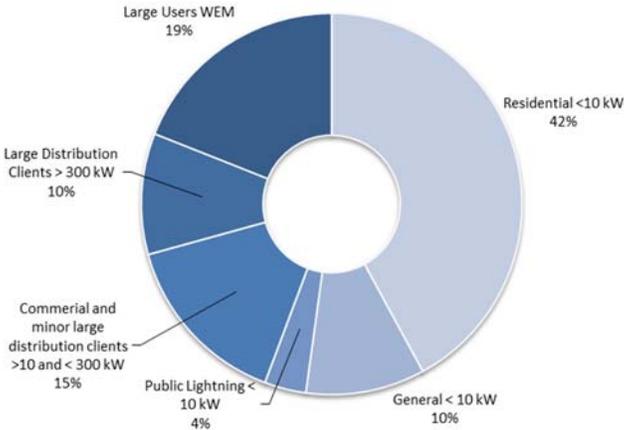
Electricity demand and supply

Electricity 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.

Following the economic crisis in 2001, the demand for electricity in Argentina grew consistently each year driven by the economic recovery. During 2014, the electricity demand grew 1% compared to 2013, from 125,167 GWh to 126,397 GWh and during 2015, the electricity demand grew 4.4% compared to 2014, from 126,397 GWh to 131,995 GWh.

The following chart provides a breakdown of the demand for energy in 2015 by type of customer:

Electric Power Demand According to Type of Customer
100% = 131,995 GWh



Source: ADEERA.

A new 25,380 MW record of capacity load was registered on February 12, 2016, which was 1% above the peak for 2013.

Peak Demand Records

	2011	2012	2013	2014	2015	2016
Power Capacity (MW)	21,564	21,949	23,794	24,034	23,949	25,380
Date	01/08/2011	02/16/2012	12/23/2013	01/20/2014	01/27/2015	02/12/2016
Temperature (°C)	3,5	34,2	35,4	29,6	35,6	31,0
Time	8:18 PM	3:10 PM	2:20 PM	3:05 PM	2:13 PM	2:35 PM

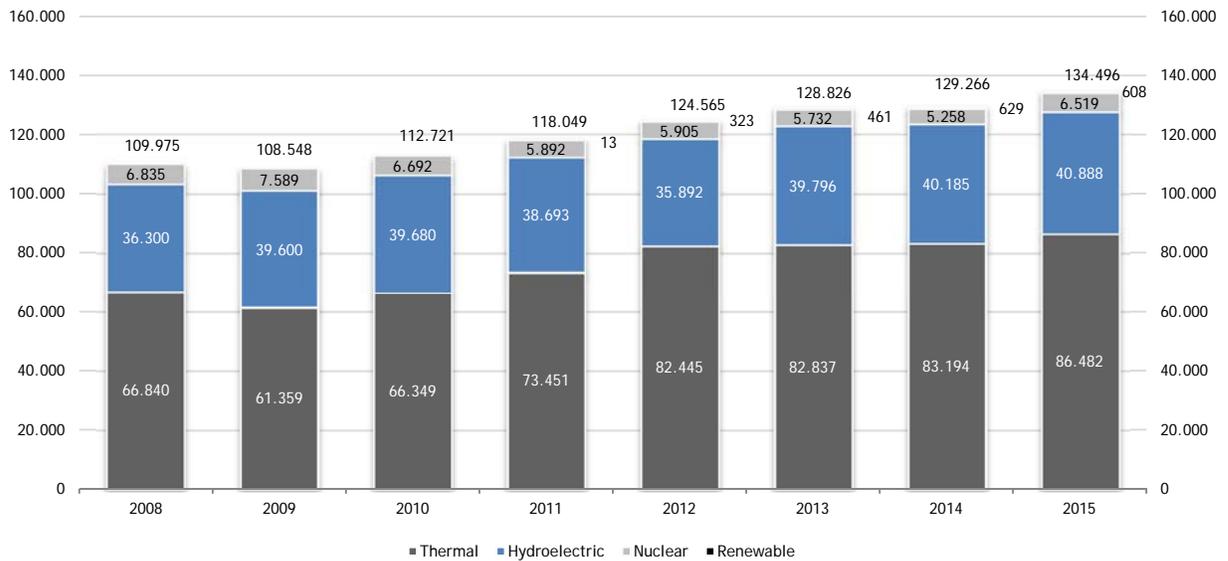
Source: CAMMESA.

Generation of electricity increased by 4.0% in 2015, from 129,266 GWh in 2014 to 134,496 GWh in 2015. For the year 2014, generation of electricity increased by 0.3%, from 128,826 GWh in 2013 to 129,266 GWh in 2014.

Thermal generation continued to be the main resource to supply demand in 2015, as it contributed 86,482 GWh (64%), followed by hydroelectric generation net of pumping, which contributed 40,888 GWh (30%) and nuclear generation, which contributed 6,519 GWh (5%), photovoltaic and wind generation, which contributed 608 GWh (0.5%) and certain engines from ENARSA and the update of the capacity of certain plants (0.5%). There were also imports, for 1,655 GWh (19% higher than in 2014), exports for 53 GWh and losses for 4,100 GWh (4% lower than in 2014). During 2014, thermal generation was also the main resource to supply demand in 2014, as it contributed 83,194 GWh (64%), followed by hydroelectric generation net of pumping, which contributed 40,185 GWh (31%) and nuclear generation, which contributed 5,258 GWh (4%), and photovoltaic and wind generation, which contributed 629 GWh (0.5%). There were also imports, for 1,390 GWh (306% higher than in 2013), exports for 0.1 GWh (95% lower than in 2013) and losses for 4,258 GWh (6% higher than in 2013).

Hydroelectric generation in 2015 did not experience material variations when compared to 2014, while thermal and nuclear generation registered a 4% and 24% increase, respectively, when compared to 2014. In this sense, thermal generation continued to be the main source for the supply of electricity, fueled both by natural gas and by liquid fuels (diesel oil and fuel oil), and mineral coal mainly during the winter months.

The following chart shows the development of electricity generation by type of generation (thermal, hydro, nuclear and renewable) since 2008:



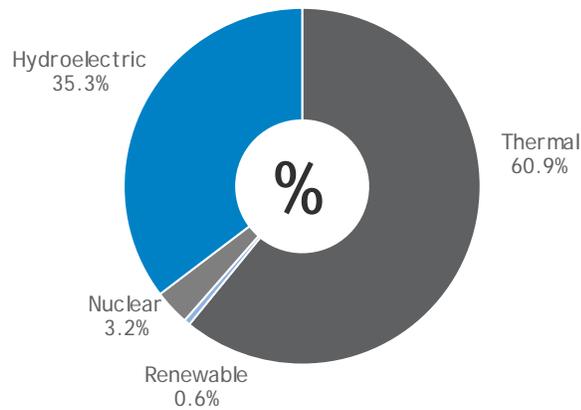
Source: CAMMESA.

Note: Including WEM and PSWEM. Hydroelectric power generation is considered net of pumping.

During 2015, generation facilities considerably increased their installed capacity from 30,405MW in 2014 to 33,493MW in 2015. This increase was caused by the commercial operations of the Atucha II nuclear plant (720MW), Vuelta de Obligado thermal plant (525 MW, Guillermo Brown thermal plant (434MW), certain engines from ENARSA and the update of the capacity of certain plants.

The chart below shows the composition of installed capacity in Argentina (33.5 GW) as of December 31, 2015:

Argentina's Installed Capacity
100%=33.5GW



Source: CAMMESA

Seasonality

Seasonality also has a significant impact on the demand for electricity, with electricity consumption peaks in summer and winter. The impact of seasonal changes in demand is registered primarily among the residential and small commercial customers of Edenor. 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 for several reasons. First, different types of industrial activity by their nature have different seasonal peaks, such that the effect on them of climate factors is more varied. Second, industrial activity levels tend to be more significantly affected by the economy, and with different intensity levels depending on the industrial sector.

Cost of sales

Our most significant costs of sales in our generation business are gas purchases, maintenance and penalties by our thermal generation facilities, royalty payments by our hydroelectric generation facilities and energy purchases and personnel costs by our hydroelectric and thermal generation facilities. We also record depreciation and amortization charges related to electricity generation as part of our costs of sales. The cost of energy purchases varies according to the regulated seasonal price of energy.

Our cost of sales in our distribution activities are mainly comprised of purchases of energy for distribution, personnel costs, penalties, depreciation charges and fees for third-party services.

Our most significant costs of sales in our oil and gas business are property, plant and equipment depreciations, gas production, royalties and fees for third-party services.

Operating expenses

Our most significant operating expenses are our administrative and selling expenses in our distribution activities, which include related salaries, social security charges, fees for third-party services and penalties. In our generation, oil and gas and holding and other business, our selling and administrative expenses relate mainly to salaries, social security charges, compensation agreements, fees for third-party services, and taxes.

Critical Accounting Policies and Judgments

In the preparation of the Restated Consolidated Financial Statements, we have relied on variables and assumptions derived from historical experience and various other factors that we deemed reasonable and relevant. Although we review these estimates and assumptions in the ordinary course of business, the presentation of our financial condition and results of operation often requires our management to make judgments regarding the effects of matters that are inherently uncertain on the carrying value of our assets and liabilities and, consequently, our results of operation.

An accounting policy is considered to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the Restated Consolidated Financial Statements.

In order to provide an understanding about how management forms its judgments about future events, including the variables and assumptions underlying the estimates, and the sensitivity of those judgments to different variables and conditions, we have included comments related to each critical accounting policy described as follows:

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, taking into account the estimated amount of any discount, thus determining the net amounts.

Ordinary revenue has been recognized when each and every condition described below has been met:

- i. the entity transferred to buyer significant risks and rewards;
- ii. the amount of revenue was reliably measured;
- iii. it is probable that the entity receives the economic benefits associated with the transaction; and
- iv. costs incurred or to be incurred in relation to the transaction have been reliably measured.

The revenue recognition criteria of the main activities of the Company include:

i. From the power generation activity: they are recognized from the energy and power effectively consumed by customers or delivered to spot market.

During the fiscal year ended December 31, 2014, the 2014 Expansion Agreement was executed. Consequently condition (iii) above was met, and, therefore, our generation subsidiaries have recognized as income the fair value of the remuneration corresponding to the section c) of SE Resolution No. 406/2003 and the portion of the Additional Remuneration to be allotted to the Trust accrued during fiscal year 2013 and that corresponding to 2014.

During the fiscal year ended December 31, 2015, HIDISA and HINISA did not recognize the Maintenance Remuneration—that will be allocated exclusively to finance the works under the major maintenance—as income since the condition (iii) above was not met as the works under the major maintenance to be financed with the LVFVDs to be issued by CAMMESA are subject to approval by the SE and, therefore, there is no reasonable certainty that our generation subsidiaries will collect the receivables.

Additionally during the fiscal year ended December 31, 2015, our generation subsidiaries did not recognize revenues of Remuneration FONINVEMEM 2015-2018.

ii. From the electricity distribution activity: 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. We consider our accounting policy for the recognition of estimated revenue 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.

Revenue from the electricity provided by Edenor to low-income areas and shantytowns is recognized to the extent that the Framework Agreement has been renewed for the period in which the service was rendered.

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 Resolution No. 347/2012.

Edenor 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.

iii. From exploration and exploitation of oil and gas activity: Revenues from sales of crude oil, natural gas and liquefied petroleum gas are recognized upon the transfer of title in accordance with the terms of the applicable contracts, which is when the customer has taken ownership and assumed the risks and benefits, prices have been determined and collectability is reasonably assured.

Higher Costs Recognition under SEE Resolution No. 250/2013 and subsequent Notes and Recognition of income on account of the RTI – SEE Resolution No. 32/2015

The recognition of higher costs and the recognition of income not transferred to the tariff established by SEE Resolution No. 32/2015, fall within the scope of IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance” as they imply a compensation to cover the expenses and investments incurred by Edenor in the past to maintain the normal provision of its services.

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 SEE Resolution No. 32/2015, and (the ENRE’s approval and the SE’s recognition of the higher costs set forth in SEE Resolution No. 250/2015 or the provision of Edenor’s service as repayment for the recognition under SEE Resolution No. 32/2015), by means of a Note or Resolution.

As for the income deriving from the funds to which SEE Resolution No. 745/2005 refers, it is recognized according to the amounts billed.

Recognition of compensation for injection of surplus gas – Resolution No. 1/2013 of the Hydrocarbon Investment Plan’s Strategic Planning and Coordination Committee

The recognition of income for the injection of surplus gas is covered by IAS 20 since it involves a compensation as a result of the production increase committed by Petrolera Pampa.

Its recognition is made at its fair value when there is reasonable assurance that it will be collected and that the conditions required have been complied.

This item has been disclosed under Compensation for Surplus Gas Injection - Resolution No. 1/2013, under Operating Income, in the Comprehensive Income (loss) Statement.

Impairment of assets

Property, plant and equipment and identifiable intangible assets, are reviewed for impairment at the lowest level for which there are separately identifiable cash flows (“CGUs”).

Most of the main subsidiaries or joint ventures of the Company are a CGU, as they have only one power generation plant (generation segment), a power transmission network (transmission segment) or one concession area for the distribution of electricity (distribution segment), and areas of exploration and exploitation of oil and gas (oil

and gas segment). Consequently, each subsidiary and joint venture in these segments represents the lowest level of composition of assets generating independent cash flows.

- i. Assets subject to depreciation / amortization are reviewed for impairment when facts or circumstances show that the carrying amount may not be recoverable.
- ii. Goodwill: In accordance with the applicable accounting policies, goodwill is tested for impairment annually. The amounts recoverable from CGUs are determined based on the calculations of its value in use.
- iii. Intangible assets: Intangible assets having an indefinite useful life are not amortized. Intangible assets having an indefinite useful life are tested for impairment by comparing their recoverable amount with their book value: (i) annually; and (ii) at any time, if there is any indication that they may have been impaired.

In order to evaluate if there is evidence that a CGU could be affected, both external and internal sources of information are analyzed. Specific facts and circumstances are considered, which generally include the discount rate used in the estimates of the future cash flows of each CGU and the business condition as regards economic and market factors, such as the cost of raw materials, oil and gas, the regulatory framework for the energy industry (mainly the RTI / CMM and recognition of expected prices), the projected capital investments and the evolution of the energy demand.

An impairment loss is recognized when the book value of the asset exceeds its recoverable value. The recoverable amount is the higher of the value in use and the fair value less costs of disposal. Any impairment loss will be allocated (to reduce the book value of the CGU's assets) in the following order:

- (a) first, to reduce the book value of goodwill assigned to the CGU, and
- (b) then, to the other assets in the cash generating unit (or group of units), prorated for the carrying amount of each asset in the unit (or group of units), taking into account not to reduce the carrying amount of the asset below the higher of its fair value less costs of disposal, its value in use or zero value.
- (c) any impairment loss which may not be allocated to the specific asset will be proportionately distributed among the remaining assets making up the CGU.

The value in use of each CGU is estimated on the basis of the present value of the future net cash flows that these units will generate. The Company's management uses approved budgets up to one-year for its cash flow projections extrapolated into a term consistent with the assets' remaining useful life, taking into consideration a scrap value and the appropriate discount rates. In order to calculate the fair value less the costs to sale, the Company's management uses the estimated value of the future cash flows that a market participant could generate from the appropriate CGU, and deducts the necessary costs to carry out the sale of the corresponding CGU.

The Company's management is required to make judgments at the moment of the future cash flow estimation. The actual cash flows and the values may differ significantly from the expected future cash flows and the related values obtained through discount techniques.

Non-financial assets other than goodwill which have suffered impairment in the past are reviewed for a possible reversal of the impairment as at the closing date of the fiscal year.

Reversal of Property, Plant and Equipment Impairment in CPB

As at September 30, 2012, CPB recorded an impairment loss amounting to Ps. 108.3 million for its property, plant and equipment; which net of the effect of the income tax, amounted to Ps. 70.4 million; as a result of the assessment of their recoverable value.

Impairment loss charges have been distributed on a pro rata basis in order to reduce the book value of the assets comprising the cash generating unit taking into consideration the book value of each of the unit's assets. After recognizing the impairment loss, the asset's depreciation charges have been adjusted during the following fiscal years to systematically distribute its reviewed book value less any possible residual value through its remaining useful life.

Previously impaired non-financial assets are reviewed for a possible reversal of the impairment at each reporting date.

With the implementation of SE Resolution No. 95/2013 and its amendment through SE Resolution No. 529/2014 –which established a new remuneration scheme for the industry as from February 2013 and the later update of remunerative values effective as from February 2014, respectively– and the granting of financing by CAMMESA under advantageous conditions to CPB, which will allow to afford the cost of the capital investments necessary to recover the company's plant operating capacity, CPB's projections regarding the recoverability of its Property, Plant and Equipment and its deferred tax assets have been modified.

As of September 30, 2014, CPB's management reevaluated its discounted cash flows taking into consideration the new regulatory measures adopted by the National Government. As a result of the new estimates, CPB CGU's value in use determined based on the present value of future net cash flows was Ps.274.4 million higher than its book value. Therefore, CPB as of December 31, 2014, recovered the above-mentioned impairment losses which, net of accumulated depreciation, amounted to Ps. 88.4 million (recognized under "Reversal of Impairment of Property, Plant and Equipment" in the Statement of Comprehensive Income) and, net of the effect of the income tax, amounted to Ps. 57.5 million. The affected Property, Plant and Equipment items were lands, buildings, machines and generation equipment. As of the date of this annual report, CPB has not identified any events or circumstances indicate that the book value as of December 31, 2015 may not be recoverable.

Test of impairment of property, plant and equipment and intangible assets associated with the subsidiary Edenor

As at December 31, 2011, the Company has recorded impairment losses associated with Edenor's consolidated assets resulting from the assessment of their recoverable value. Depreciation losses totaled up Ps. 647.7 million which, net of the effect of the income tax, amounted to Ps. 421 million.

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 method of electricity rate increases and/or cost adjustment 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 future increase in electricity tariffs used by Edenor to assess the recoverability of its long-lived assets as of December 31, 2015, is based on the rights to which Edenor is entitled, as stipulated in the concession agreement and the agreements described in Note 2 to the Financial Statements. Furthermore, the actions taken to maintain and guarantee the provision of the public service, the presentations made before regulatory authorities, the status quo of the discussions that are being held with government representatives, the announcements made by government officials concerning possible changes in the sector's revenues to restore the economic and financial equation, and certain measures adopted. Edenor's Management estimates that it is reasonable to expect that new increases in revenues will be obtained as from 2017 as a result of the carrying out during 2016 of the RTI.

Edenor has made its projections under the assumption that it will obtain better electricity rates, in addition to the adjustments on account of the VAD provided for by Resolution No. 7/2016. However, due to the complexity of the RTI process Edenor's Management may not ensure that the future performance of the variables used to make its projections will be in line with what it has estimated at the date of preparation of the Financial Statements.

In order to contemplate the estimation risk contained in the projections of the aforementioned variables, Edenor has considered three different probability-weighted scenarios. Although in all of them it is estimated that

Edenor will succeed in reaching an acceptable agreement with the Government resulting in a gradual tariff increase, Edenor has considered different timing and magnitude of an increase in the VAD.

The scenarios that have been considered are the following:

- i. Pessimistic scenario: in this scenario, Edenor assumes modest electricity tariff increases as from 2017 as a result of the gradual implementation of the RTI. A five-year term payment plan is established for the penalties owed to customers, whereas those owed to the ENRE are waived. The debt with CAMMESA (for energy and loans), including interest, is paid in 4 years. Probability of occurrence assigned 20%.
- ii. Intermediate scenario: in this case, Edenor assumes reasonable electricity tariff increases as from 2017 as a result of the gradual implementation of the RTI. A five-year term payment plan is established for the penalties owed to customers, whereas those owed to the ENRE are waived. The debt with CAMMESA (for energy and loans), including interest, is paid in 10 years with funds deriving from a specific charge included in the electricity bills. Probability of occurrence assigned 65%.
- iii. Optimistic scenario: in this case, Edenor assumes increases in its remuneration, in addition to the ones recognized in the Intermediate scenario, as from 2017 as a result of the gradual implementation of the RTI. A five-year term payment plan is established for the penalties owed to customers, whereas those owed to the ENRE are waived. The debt with CAMMESA (for energy and loans for consumption) is waived as part of the Concession Agreement renegotiation process. Probability of occurrence assigned 15%.

Edenor has assigned to these three scenarios the previously described percentages of probability of occurrence based mainly on experience and considering the present economic and financial situation, the status quo of the conversations that are being held with the Argentine Government and the need to maintain the public service, object of the concession, in operation.

In all the scenarios a different after tax discount rate (WACC) in pesos has been used for each year of the projection. For the first 5 years, the average of these rates is 31%.

Sensitivity analysis:

The main factors that could result in impairment charges in future periods are: i) a distortion in the nature, opportunity and method of the electricity tariff increases and recognition of cost adjustments, ii) the development of the costs to be incurred and iii) the investment needs in accordance with the service quality levels required by the regulatory authority in the RTI, among other factors. These factors have been taken into account in the aforementioned weight of scenarios. Due to the inherent uncertainty involved in these assumptions, Edenor estimates that any sensitivity analysis that considers changes in any of them considered individually could lead to distorting conclusions.

Based on the conclusions previously mentioned, 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 December 31, 2015.

Furthermore, the management understands that although these estimates may show an increase in the CGU's value, actual measurements obtained so far are insufficient to consider a sustainable recovery which can be confirmed with the conclusion of the RTI expected to be completed during 2016, and consequently evaluate the possible reversal of the impairment loss recognized by the Company during fiscal year 2011.

Allowance for doubtful accounts

The Group is exposed to losses for uncollectible receivables. The Company's management estimates the final collectability of the accounts receivable.

The allowance for the impairment of accounts receivable is assessed based on the historical level of both the balances written off as an expense and the default balances. Additionally, Edenor's Management records an allowance applying an uncollectibility rate for customer category, tariff, customers included in the Framework Agreement, and customers not included in the Framework Agreement.

In order to estimate collections related to the energy generation segment we mainly consider the ability of CAMMESA to meet its payment obligations to generators, and the resolutions issued by SE, which allow the Company to collect its credits with CAMMESA through different mechanisms. Additionally, management analyzes the allowance for uncollectible receivables of the remaining accounts receivables of the segment based on an individual analysis of recoverability of receivables of the WEM debtors.

Future adjustments to the allowance may be necessary if future economic conditions differ substantially from the assumptions used in the assessment for each year.

We believe that the accounting policy relating to the allowance for doubtful accounts is a "critical accounting policy" because it requires management to make estimates and assumptions with respect to our receivables collection due to uncollectible accounts, which is susceptible to change from period to period, and as such the impact on our financial position and results of operations could be material.

Provisions for legal claims

The Company is subject to several lawsuits, complaints and other legal proceedings, including customers' claims, where a third party seeks the payment of damages, reimbursement for losses or compensation. The Company's potential liability as regards these claims, lawsuits and other legal proceedings cannot be estimated for sure. The Company's management, with the assistance of its legal counselors (lawyers) regularly reviews the status of each important proceeding and assesses its potential financial exposure.

If the loss derived from a lawsuit or legal proceeding is deemed probable and the amount can be reasonably estimated, the Company establishes allowance provision.

The provision for contingent losses reflect a reasonable estimation that losses will be incurred, based on information available to the management at the Restated Consolidated Financial Statements date, and taking into account our litigation and resolution/settlement strategies. These estimates are prepared mainly with the help of legal counsel. However, if the Company's management estimates are incorrect, current provisions might be inadequate and derive in a charge to profits that could have an adverse effect on the balance sheet, comprehensive income (loss) statement, statements of changes in equity and cash flows.

With respect to the loss contingencies described in our Restated Consolidated Financial Statements, we do not expect to incur any losses exceeding the amounts accrued as of December 31, 2015, that would be material relative to our consolidated financial position, results of operations or liquidity as of such date. However, if reserves prove to be inadequate and we incur a charge to earnings, such charge could have a material adverse effect on our results of operations, financial condition and net worth. For more information regarding the balances for provision for contingencies see Note 37 to our audited Financial Statements.

Current and deferred Income tax / Minimum notional income tax

A great level of judgment is required to determine the income tax provision since the Company Management has to regularly assess the positions stated in the tax returns as regards those situations where the applicable tax regulations are subject to interpretation and, if necessary, establish provisions according to the estimated amount that the Company will have to pay to the tax authorities. When the final tax result of these items differs from the amounts initially acknowledged, those differences will have an effect on the income tax and on the deferred tax provisions in the fiscal year when such determination is made.

A significant degree of judgment is required to determine the income tax provision. 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. In assessing the realization of deferred tax assets, Management considers that it is likely that a portion or all of the deferred tax assets will not be realized. The ultimate 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, Management takes into consideration the scheduled reversal of deferred tax liabilities, the projections of future taxable income and tax planning strategies.

Defined 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. Cash flows are discounted using actuarial assumptions about demographic and financial variables that affect the determination of the amount of such benefits. Such estimate is based on actuarial calculations made by independent professionals in accordance with the projected unit credit method.

ENRE penalties and discounts

Edenor consider its accounting policy for the recognition of ENRE Penalties and Discounts critical because it depends on the penalizable events which are valued on the basis of management's best estimate of the expenditure required to settle the present obligation at the date of this annual report. The balances corresponding to ENRE Penalties and Discounts are adjusted in accordance with the regulatory framework applicable thereto and have been estimated based on Edenor's estimate of the outcome of the RTI process described in Note 2 to the Financial Statements.

Oil and Gas Reserves

Reserves are oil and gas volumes (expressed in oil-equivalent m3) originated from or associated with any economic income in the areas where Petrolera Pampa operates and over which it holds exploration and exploitation rights.

Crude oil and gas reserves estimates are an essential part of Petrolera Pampa's decision-making process. Crude oil and gas reserves volumes are taken into consideration in the calculation of depreciation -by using the production unit ratio- and to evaluate exploration and exploitation asset investments' recoverable amounts.

Reserves estimates have been prepared by Petrolera Pampa's technical staff, and are based on the technological and economic conditions prevailing as of December 31, 2015, taking into consideration their economic evaluation and the expiration of the relevant concession to determine their recoverability period.

The estimates are adjusted every time changes in the evaluated aspects so justify, or at least once a year. These reserves estimates have been certified by independent hydrocarbon counseling firms for the last time as of December 31, 2015.

There are numerous factors giving rise to uncertainty regarding the estimate of proven reserves and of future production profiles, prices and development costs, several of which are beyond the producer's control. The reserves calculation procedure is a subjective process for estimating the crude oil and natural gas recoverable from the subsoil which involves a high degree of uncertainty. The reserves estimate is prepared based on the quality of the geological and engineering information available at the date in which the report is issued, as well as on its interpretation.

Asset retirement obligation

The obligations relating to the decommissioning of wells after completion of the operations Petrolera Pampa's management to make estimates about the costs of abandonment in the long-term and the time remaining until the abandonment. Notably, technology, costs and policy, security and environmental considerations are, continually changing, which may result in differences between the actual future costs and estimates.

Estimated future costs of wells plugging and abandonment in the hydrocarbon areas, discounted at a rate estimated at the time of their initial measuring, are capitalized together with the assets originating them, and are depreciated using the unit-of-production method. Additionally, a liability is acknowledged for this item at the estimated value of discounted payables.

Going concern status

The jointly controlled company Citelec have prepared their Financial Statements in accordance with the accounting principles applicable to a going concern, assuming that the companies will continue to operate normally. Therefore, they do not include the effects of the adjustments or reclassifications, if any, that might be necessary to make as a consequence of the situation described as follows, as well as its impact on the Financial Statements.

Transmission

Even though it is still difficult to forecast the evolution of the topics stated in Note 2 to the Financial Statements and their possible impact on Citelec's business and cash flows, the execution of the Renewal Agreement constitutes a remarkable milestone towards the consolidation of Citelec's economic and financial equation. Citelec has prepared its financial statements using the accounting principles applicable to an on-going business. Consequently, these statements do not include the effects of any applicable adjustment or reclassification in case these situations are not resolved favorably to the continuity of Citelec's operations and, thus, this company would be forced to realize its assets and cancel its liabilities, including contingent ones, under conditions that are not in its ordinary course of business.

The interest in the joint venture represents about 1% of the Group's assets and approximately 0.2% of the Group's income. Additionally, the Company's management considers that the uncertainty regarding Citelec's joint venture does not affect its capacity to continue operating on an ordinary basis, mainly due to the following reasons: (i) there is no financial dependence on Citelec, as this joint venture has not paid it any dividends since its acquisition date in 2006; (ii) even though there is an enforceable and binding technical assistance agreement with Transener, the Company does not depend on this flow of funds to normally develop its activities; and (iii) the Company is not contractually obliged to provide financial assistance to Citelec.

Results of Operations

The table below provides a summary of our results of operations for the years ended December 31, 2015, 2014 and 2013.

	For the year ended December 31,		
	2015	2014	2013
	(in millions of pesos)		
Revenue	7,160.8	6,204.6	5,335.0
Cost of sales	(7,092.8)	(6,029.1)	(5,603.3)
Gross profit (loss)	68.0	175.6	(268.3)
Selling expenses	(972.7)	(713.4)	(634.2)
Administrative expenses	(1,239.4)	(837.5)	(563.9)
Other operating income	940.7	312.0	466.2
Other operating expenses	(754.4)	(447.1)	(204.0)
Reversal of impairment of property, plant and equipment	25.3	88.4	-
Share of profit (loss) of joint ventures	9.3	34.2	(4.8)
Share of (loss) profit of associates	(9.9)	(1.6)	2.2
Operating loss before higher costs recognition and SE Resolution No. 32/15	(1,933.2)	(1,389.3)	(1,206.7)
Income recognition on account of the RTI - SE Resolution No. 32/15	5,025.1	-	-
Higher Costs Recognition - SE Resolution No. 250/13 and subsequent Notes	551.5	2,271.9	2,933.1
Operating profit (loss)	3,643.4	882.6	1,726.3
Financial income	348.5	440.5	336.3
Financial cost	(1,257.3)	(1,113.2)	(813.9)
Other finance results	1,701.0	420.1	(519.3)
Financial results, net	792.2	(252.6)	(996.8)
Profit (Loss) before income tax	4,435.6	630.0	729.5
Income tax	(586.8)	(100.4)	12.2
Profit (Loss) for the year from continuing operations	3,848.8	529.5	741.6
Discontinued operations	-	-	(126.9)
Total Profit (Loss) of the year	3,848.8	529.5	614.8
Total Profit (Loss) of the year attributable to:			
Owners of the company	3,065.1	743.2	286.1
Non - controlling interest	783.7	(213.7)	328.7

	For the year ended December 31,		
	2015	2014	2013
	(in millions of pesos)		
Revenue			
Generation	2,473.2	2,275.5	1,731.3
Transmission	973.4	738.4	436.9
Distribution	3,802.2	3,598.4	3,440.7
Oil and gas	943.5	356.8	170.1
Holding and others	53.6	67.2	43.9
Eliminations	(111.7)	(93.2)	(51.0)
Subtotal Sales	8,134.2	6,943.1	5,771.9
Sales from interest in joint ventures	(973.4)	(738.4)	(436.9)
Total Sales	7,160.8	6,204.6	5,335.0
Gross profit (loss)			
Generation	1,135.8	1,098.8	304.5
Transmission	307.4	198.7	43.2
Distribution	(1,386.9)	(1,118.1)	(681.8)
Oil and gas	283.5	155.6	81.9
Holding and others	51.3	65.3	43.0
Eliminations	(15.7)	(26.0)	(16.0)
Subtotal Gross (loss) profit	375.4	374.3	(225.1)
Gross loss (profit) from interest in joint ventures	(307.4)	(198.7)	(43.2)
Total Gross profit	68.0	175.6	(268.3)
Operating profit (loss)			
Generation	886.8	1,009.1	402.8
Transmission	169.4	99.3	(21.9)
Distribution	2,140.2	(281.5)	1,288.4
Oil and gas	484.8	134.9	73.5
Holding and others	122.4	(13.6)	(31.5)
Eliminations	-	(0.4)	(2.0)
Subtotal operating profit (loss)	3,803.7	947.8	1,709.3
Operating profit (loss) from interest in joint ventures	(160.3)	(65.2)	17.0
Total operating profit (loss)	3,643.4	882.6	1,726.3
Total profit (loss) of the year			
Generation	549.8	633.0	(207.8)
Transmission	9.1	34.1	(4.9)
Distribution	612.8	(1,101.4)	508.1
Oil and gas	351.7	83.9	37.2
Holding and others	2,325.3	879.9	282.2
Total profit (loss) of the year	3,848.8	529.5	614.8
Total profit (loss) attributable to owners of the company			
Generation	496.9	529.3	(191.9)
Transmission ⁽¹⁾	9.1	34.1	(4.9)
Distribution	59.1	(742.1)	163.5
Oil and gas	174.6	41.9	37.2
Holding and others	2,325.4	879.9	282.2
Total profit (loss) attributable to owners of the company	3,065.1	743.2	286.1
Total profit (loss) attributable to non - controlling interest			
Generation	52.9	103.6	(15.9)
Distribution	553.7	(359.2)	344.6
Oil and gas	177.1	42.0	-
Total profit (loss) attributable to non - controlling interest	783.7	(213.6)	328.7

⁽¹⁾ For the purposes of presenting segment information the indirect interest of our segment Transmission has been consolidated proportionally.

The Company is engaged in the electricity sector, with a participation in the electricity generation, transmission and distribution segments through different legal entities. As of December 31, 2015, in view of the growth of the operations of Petrolera Pampa, the Company has identified Oil and Gas as a new segment. Therefore, the comparative information by segment in the Holding and others segment has been restated in its entirety. Accordingly, the following business segments have been identified by means of its subsidiaries and based on the nature, customers and risks involved:

Generation, comprised by a direct and indirect equity interest in Piedra Buena, Güemes, Loma la Lata, HINISA, HIDISA, Pampa Comercializadora S.A and investments in shares in other companies related to the electricity generation sector.

Transmission, comprised by an indirect equity interest through Citelec in Transener and its subsidiaries. For the purposes of presenting segment information the indirect equity interest has been consolidated proportionally.

Distribution, comprised by an indirect equity interest in EASA and Edenor.

Oil and gas, comprised by a direct interest in Petrolera Pampa dedicated to exploration and exploitation of oil and gas.

Holding and others, comprised by a financial investment operations, holding activities, and other businesses.

The Company manages its segments to the net income level of reporting.

The segment called “Electricity transmission”, which corresponds to the Company’s indirect interest in Citelec and its subsidiaries, has been included as a reportable segment since it is considered as such in the reports received by the Executive Director of the Company. Since the stake in such companies constitutes an interest in a joint venture, it is not consolidated and it is valued according to the equity method of accounting in the Restated Consolidated Financial Statement.

Year ended December 31, 2015 compared to year ended December 31, 2014

Generation Segment

Generation net sales increased by 8.7% to Ps.2,473.2 million for the fiscal year ended December 31, 2015, from Ps.2,275.5 million for the same period in 2014. The rise of Ps.197.8 million in electricity generation net sales was mainly due to an increase in the average electricity selling prices calculated for the segment (Ps.279.3 per MWh for the fiscal year ended December 31, 2015, compared to Ps.225.3 per MWh for the same period in 2014, which represents a sales increase of Ps.529.1 million), which increase was partially offset by a decrease in the amount of electricity sold by the segment (8,660.7 GWh for the fiscal year ended December 31, 2015, compared to 9,802.0 GWh for the same period in 2014, which represents a Ps.318.7 million decrease in sales).

Average electricity generation selling prices in this segment reflects the impact of the pricing scheme update set out in SE Resolution No. 95/2013, which was implemented in July 2015 and became effective as of February 2015, as well as the effect of changes in the exchange rate which impacted Energía Plus and SE Resolution No. 220/2007 agreements. Moreover, the decrease in electricity sales (in GWh) was mainly due to scheduled overhauls in Loma de la Lata and CPB, which were partly offset by a higher dispatch at CTG and CTP. In our hydroelectric power units, despite the lower water flow and input levels in the area, the joint sales in 2015 were 5 GWh lower than that in 2014. The following table shows net electricity sales (in GWh) for power generation plants:

In GWh	Fiscal Years Ended December 31,					
	2015			2014		
	Net generation	Purchases	Total sales	Net generation	Purchases	Total sales
Hydroelectric facilities:						
HINISA	538.1	0.5	538.6	516.1	33.0	549.1
HIDISA	366.8	0.0	366.8	322.4	28.9	351.3
Thermal facilities:						
CTG	1,681.7	601.0	2,282.8	1,528.2	596.2	2,124.4
CTLL	2,581.8	0.0	2,581.8	3,420.9	80.8	3,501.7
CTP*	151.6	0.0	151.6	131.1	0.0	131.1
CPB	2,736.7	2.4	2,739.1	3,089.6	54.8	3,144.4
Total	8,056.8	603.9	8,660.7	9,008.3	793.6	9,802.0

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Generation cost of sales increased by 13.7%, to Ps.1,337.5 million for the fiscal year ended December 31, 2015, from Ps.1,176.7 million for the same period in 2014, mainly due to higher labor costs of 33.8% in our hydroelectric power units and of 33.4% in our thermal power units, and higher materials and maintenance costs in our thermal power units of 89.1% and 50.9%, respectively, resulting from scheduled overhauls in Loma de la Lata and CPB. These higher costs were partially offset with lower energy purchases in our hydroelectric and thermal power units which decrease by 91.1% and 3.8%, respectively, since MAT contracts are managed by CAMMESA as from the implementation of SE Resolution No. 95/2013. In addition, there was a drop of 72.3% in penalties and of 30.4% in gas consumption costs as a result of scheduled overhauls at Loma de la Lata. The following table shows the main components of our generation segment cost of sales for the specified periods:

Cost of Sales, in AR\$m except %	Fiscal Years Ended December 31,			
	2015		2014	
Hydroelectric facilities:				
Labor costs	74.0	45.0%	55.3	34.1%
Amortization for intangible assets	19.4	11.8%	19.4	12.0%
Royalties	19.2	11.6%	18.1	11.2%
Repairs and Maintenance	15.3	9.3%	10.3	6.3%
Rental and insurance	7.2	4.4%	6.3	3.9%
Material consumption	5.9	3.6%	3.1	1.9%
Fees for third-party services	2.4	1.5%	2.3	1.4%
Energy purchases	2.2	1.4%	25.1	15.5%
Depreciation of property, plant and equipment	1.8	1.1%	1.7	1.1%
Others	17.1	10.4%	20.4	12.6%
Total hydroelectric	164.6	100.0%	162.2	100.0%
Thermal facilities:				
Labor costs	287.6	24.5%	215.6	21.3%
Energy purchases	210.2	17.9%	218.5	21.5%
Gas consumption	148.8	12.7%	213.8	21.1%
Depreciation of property, plant and equipment	123.5	10.5%	107.1	10.6%
Repairs and Maintenance	112.2	9.6%	74.3	7.3%
Material consumption	79.7	6.8%	42.2	4.2%
Rental and insurance	69.9	6.0%	42.1	4.2%
Fees for third-party services	49.0	4.2%	20.8	2.1%
Penalties	3.2	0.3%	11.4	1.1%
Others	88.8	7.6%	68.6	6.8%
Total thermal	1,172.9	100.0%	1,014.5	100.0%
Total	1,337.5	100.0%	1,176.7	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Therefore, our generation segment gross profit increased by 3.4% to Ps.1,135.8 million for the fiscal year ended December 31, 2015, compared to Ps.1,098.8 million for the same period in 2014.

Selling expenses from our generation segment increased to Ps.23.5 million for the fiscal year ended December 31, 2015, compared to Ps.17.9 million for the same period in 2014, mainly due to a Ps.3.0 million increase in labor costs, a Ps.1.4 million increase in taxes, rates and contributions and doubtful accounts and selling expenses for Ps.1.2 million. Selling expenses relating to our hydroelectric power units amounted to Ps.9.7 million and Ps.8.4 million, and those corresponding to our thermal power units reached Ps.13.8 million and Ps.9.5 million for the fiscal years ended December 31, 2015 and 2014, respectively. The following table shows the main components of our generation segment selling expenses for the specified periods:

Selling Expenses, in AR\$m except %	Fiscal Years Ended December 31,			
	2015		2014	
Taxes, rates and contributions	10.5	44.6%	9.1	50.6%
Labor costs	7.8	33.3%	4.8	26.9%
Doubtful accounts	2.7	11.6%	1.5	8.3%
Others	2.5	10.5%	2.5	14.1%
Total	23.5	100.0%	17.9	100.0%
<i>Of which:</i>				
Hydroelectric	9.7	41.2%	8.4	46.8%
Thermal	13.8	58.8%	9.5	53.2%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Generation administrative expenses increased to Ps.262.7 million for the fiscal year ended December 31, 2015 from Ps.200.0 million for the same period in 2014, mainly due to a 61.4% increase in labor costs borne by our generation subsidiaries, which were partly offset by a 13.0% decrease in the fees for third-party services, a 57.7% decrease in taxes, rates and contributions and a 28.1% decrease in depreciation and amortization. Administrative expenses corresponding to our hydroelectric power units amounted to Ps.26.5 million and Ps.21.5 million, and those corresponding to our thermal power units reached Ps.236.2 million and Ps.178.5 million for the fiscal years ended December 31, 2015 and 2014, respectively. The following table shows the main components of our generation segment administrative expenses for the specified periods:

Administrative Expenses, in AR\$m except %	Fiscal Years Ended December 31,			
	2015		2014	
Labor costs	170.6	65.0%	105.7	52.8%
Fees for third-party services	43.8	16.7%	50.4	25.2%
Rental and insurance	13.2	5.0%	12.1	6.1%
Depreciation of property, plant and equipment	4.1	1.6%	5.7	2.8%
Taxes, rates and contributions	2.2	0.8%	5.2	2.6%
Others	28.7	10.9%	20.9	10.5%
Total	262.7	100.0%	200.0	100.0%
<i>Of which:</i>				
Hydroelectric	26.5	10.1%	21.5	10.8%
Thermal	236.2	89.9%	178.5	89.2%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Other generation operating income and expenses decreased by 70.0%, to a profit of Ps.12.0 million for the fiscal year ended December 31, 2015, compared to Ps.39.9 million for the same period in 2014. This decrease was mainly as a result of non-recurrent income during 2015 that amounted to Ps.74.8 million in connection with compensation received by Loma de la Lata pursuant to the Arbitral Award ruled in its favor against the Project Counterparties (see "Item 8 – Legal Proceedings involving Loma de la Lata"), while during fiscal year 2014 recovery of insurance, receivables and taxes were disclosed for a total amount of Ps.93.1 million. The following table shows the main components of our generation segment other operating income and expenses for the specified periods:

Other Op. Income & Expenses, in AR\$m except %	Fiscal Years Ended December 31,			
	2015		2014	
Income recognition for arbitral proceedings	74.8	624.6%	-	-
Debit and credit tax	(54.1)	(451.6%)	(30.9)	(77.4%)
Provision for fiscal credits	(12.1)	(101.0%)	(4.0)	(10.0%)
Recovery of receivables	0.8	6.6%	49.5	124.0%
Recovery of penalties	7.2	59.9%	-	-
Provision for contingencies	(1.6)	(13.3%)	(20.1)	(50.4%)
Recovery of insurance	0.0	0.3%	5.6	14.1%
Recovery of tax on gross income	-	-	37.9	95.1%
Other operating costs for contract termination	-	-	(11.4)	(28.5%)
Others	(3.1)	(25.7%)	13.2	33.0%
Total	12.0	100.0%	39.9	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Generation operating income decreased by 12.1% to Ps.886.8 million for the fiscal year ended December 31, 2015, compared to Ps.1,009.1 million for the same period in 2014. Operating profit further reflects the reversal of an impairment in property, plant and equipment by Ps.25.3 million and Ps.88.4 million on December 31, 2015 and 2014, respectively.

Generation financial results accounted for a loss of Ps.144.6 million for the fiscal year ended December 31, 2015, compared to a loss of Ps.152.1 million for the same period in 2014, mainly due to lower revenues from adjustments to current value of CAMMESA's consolidated credits (Ps.196.4 million), lower net income for changes in the fair value of financial instruments (Ps.70.9 million) and arbitral proceedings interest (Ps.30.4 million) which were partly offset by net foreign exchange losses (Ps.264.2 million), lower net income for commercial interest (Ps.12.6 million), an increase in fiscal interest (P.17.1 million) and an increase in net financial interest (Ps.45.4 million). The following table shows the main components of our generation segment financial results for the specified periods:

Financial Results, in AR\$m except %	Fiscal Years Ended December 31,			
	2015		2014	
Financial income				
Commercial interest	192.8	63.9%	179.2	74.4%
Financial interest	78.3	26.0%	61.7	25.6%
Arbitral proceedings interest	30.4	10.1%	0.0	0.0%
Subtotal	301.5	100.0%	240.9	100.0%
Financial cost				
Financial interest	(284.7)	79.6%	(222.8)	71.7%
Fiscal interest	(48.8)	13.7%	(31.7)	10.2%
Commercial interest	(2.1)	0.6%	(1.1)	0.4%
Others	(21.9)	6.1%	(55.2)	17.7%
Subtotal	(357.5)	100.0%	(310.8)	100.0%
Other financial results				
Foreign exchange differences, net	(153.7)	173.5%	(417.9)	508.0%
Changes in the fair value of financial instruments	45.1	(51.0%)	116.1	(141.1%)
Results from current value measurement	20.0	(22.5%)	216.4	(263.1%)
Other financial results	-	-	3.2	(3.8%)
Subtotal	(88.6)	100.0%	(82.3)	100.0%
Total	(144.6)	100.0%	(152.1)	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Our generation segment recorded an income tax charge of Ps.192.4 million for the fiscal year ended December 31, 2015, compared to a charge of Ps.224.1 million for the same period in 2014.

Finally, our generation segment recorded a net profit of Ps.549.8 million for the fiscal year ended December 31, 2015, of which Ps.496.9 million are attributable to the owners of the Company, compared to a net profit of Ps.529.3 million recorded in the same period in 2014, attributable to the owners of the Company.

Transmission Segment

Transmission net sales increased by 31.8% to Ps.973.4 million for the fiscal year ended December 31, 2015, compared to Ps.738.4 million for the same period in 2014. Net regulated sales increased by 52.4% to Ps.879.6 million for the fiscal year ended December 31, 2015, from Ps.577.2 million recorded for the same period in 2014, mainly as a result of greater recognition of cost variations (Ps.663.1 million in 2015 compared to Ps.425.0 million in 2014) pursuant to the Instrumental Agreement and the Renewal Agreement entered into by Transener, Transba, the SE, and the ENRE. During 2015, no net revenues from Fourth Line royalties were recognized, whereas Ps.9.1 million were recorded for the same period in 2014. Effective as from January 1, 2015, Transener no longer accrues recurring financial income from Fourth Line's retroactive royalties and therefore it has requested the ENRE an update of operation and maintenance costs. Other sales decreased by 38.3% to Ps.93.9 million for the fiscal year ended December 31, 2015, compared to Ps.152.1 million for the same period in 2014, mainly as a result of lower unregulated revenues from Transener (supervision and construction works) and Transba.

Transmission cost of sales increased by 23.4% to Ps.666.0 million for the fiscal year ended December 31, 2015 compared to Ps.539.7 million for the same period in 2014, mainly due to a 31.1% increase in labor costs in

2015, which were partly offset by a 76.3% decrease in the consumption of materials. The following table shows the main components of our transmission segment cost of sales for the specified periods:

Cost of Sales, in AR\$m except %	Fiscal Years Ended December 31,			
	2015		2014	
Labor costs	391.7	58.8%	298.8	55.4%
Depreciation of property, plant and equipment	44.9	6.7%	42.8	7.9%
Transport and per diem	30.8	4.6%	23.0	4.3%
Repairs and Maintenance	30.4	4.6%	25.7	4.8%
Rental and insurance	27.4	4.1%	23.1	4.3%
Fees for third-party services	18.4	2.8%	13.7	2.5%
Material consumption	12.5	1.9%	52.6	9.7%
Others	109.9	16.5%	60.0	11.1%
Total	666.0	100.0%	539.7	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Therefore, transmission gross profits increased to Ps.307.4 million for the fiscal year ended December 31, 2015, from a Ps.198.7 million profit for the same period in 2014, mainly as a result of greater sales arising from the Instrumental Agreement and the Renewal Agreement.

We do not record selling expenses related to our transmission activities.

Transmission administrative expenses increased by 36.8% to Ps.125.6 million for the fiscal year ended December 31, 2015, compared to Ps.91.8 million for the same period in 2014, mainly due to a 38.8% labor cost increase associated with higher salaries. The following table shows the main components of our transmission segment administrative expenses for the specified periods:

Administrative Expenses, in AR\$m except %	Fiscal Years Ended December 31,			
	2015		2014	
Labor costs	93.2	74.2%	67.1	73.1%
Fees for third-party services	7.3	5.8%	6.0	6.5%
Rental and insurance	5.2	4.1%	3.4	3.7%
Depreciation of property, plant and equipment	4.5	3.6%	4.3	4.7%
Others	15.4	12.3%	11.0	12.0%
Total	125.6	100.0%	91.8	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Other transmission operating income and expenses recorded a loss of Ps.12.4 million for the fiscal year ended December 31, 2015, compared to Ps.7.6 million loss for the same period in 2014. The following table shows the main components of our transmission segment other operating income and expenses for the specified periods:

Other Op. Income & Expenses, in AR\$m except %	Fiscal Years Ended December 31,			
	2015		2014	
Debit and credit tax	(12.2)	98.3%	(11.1)	146.1%
Recovery of insurance	-	-	2.7	(35.6%)
Others	(0.2)	1.7%	0.8	(10.4%)
Total	(12.4)	100.0%	(7.6)	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Transmission operating income accounted for a profit of Ps.169.4 million for the fiscal year ended December 31, 2015, 70.6% higher than the profit of Ps.99.3 million for the same period in 2014, mainly as a result of increases in regulated sales, which were partly offset by increases in the above-described costs and expenses.

Transmission financial results accounted for a loss of Ps.122.9 million for the fiscal year ended December 31, 2015, compared to a profit of Ps.24.7 million for the same period in 2014, mainly as a result of an increase in foreign exchange losses and financial interest on liabilities (Ps.2.5 million), and a decrease in the profits from interest income from the Fourth Line and the IVC under the Memorandum of Understanding (Ps.32.4 million). The following table shows the main components of our transmission segment financial results for the specified periods:

Financial Results, in AR\$m except %	Fiscal Years Ended December 31,			
	2015		2014	
Financial income				
Financial interest	193.8	100.0%	226.1	100.0%
Subtotal	193.8	100.0%	226.1	100.0%
Financial cost				
Financial interest	(61.4)	99.0%	(58.9)	99.2%
Others	(0.6)	1.0%	(0.5)	0.8%
Subtotal	(62.0)	100.0%	(59.4)	100.0%
Other financial results				
Foreign exchange differences, net	(253.9)	99.7%	(138.4)	97.4%
Others	(0.7)	0.3%	(3.6)	2.6%
Subtotal	(254.7)	100.0%	(142.0)	100.0%
Total	(122.9)	100.0%	24.7	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Our transmission segment recorded an income tax charge of Ps.18.8 million for the fiscal year ended December 31, 2015, compared to a charge of Ps.51.4 million for the same period in 2014.

Finally, our transmission segment recorded a net profit of Ps.9.1 million for the fiscal year ended December 31, 2015, compared to a net profit of Ps.34.1 million for the same period in 2014, both attributable to the Company's owners.

Distribution Segment

Net sales from our distribution activities increased by 5.7% to Ps.3,802.2 million in the fiscal year ended December 31, 2015, compared to Ps.3,598.4 million for the same period in 2014, mainly due to charges collected

from Edenor's customers to be allocated to the FOCEDE fund, implemented under Resolution No. 347/2012. Edenor's electricity sales volume between 2014 and 2015 increased by 1,089 GWh to 22,381 GWh in 2015, compared to 21,292 GWh in 2014.

The cost of sales increased by 10.0% to Ps.5,189.0 million in the fiscal year ended December 31, 2015, compared to Ps.4,716.5 million for the same period in 2014, mainly due to an increase in labor costs of 35.4% and in power purchases of 7.7% mainly attributable to higher labor costs as a result of an increase in the number of employees and employee compensation and higher energy purchases due to the increase in the volume of electricity sales, which were partly offset with a decrease in fees and compensations for third-party services in 35.2%. The following table shows the main components of our distribution segment cost of sales for the specified periods:

Cost of Sales, in AR\$m except %	Fiscal Years Ended December 31,			
	2015		2014	
Energy purchases	2,022.0	39.0%	1,878.1	39.8%
Labor costs	1,859.7	35.8%	1,373.2	29.1%
Fees for third-party services	463.2	8.9%	714.3	15.1%
Penalties	257.3	5.0%	233.9	5.0%
Depreciation of property, plant and equipment	240.1	4.6%	211.8	4.5%
Material consumption	211.4	4.1%	205.9	4.4%
Others	135.3	2.6%	99.4	2.1%
Total	5,189.0	100.0%	4,716.5	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Therefore, the gross loss from our distribution activities increased to Ps.1,386.9 million in the fiscal year ended December 31, 2015, compared to a loss of Ps.1,118.1 million for the same period in 2014, mainly due to the increase in the cost of sales, increase that was not offset by a revenue increase.

Selling expenses increased by 26.5% to Ps.833.4 million in the fiscal year ended December 31, 2015, compared to Ps.658.9 million for the same period in 2014, mainly due to increases in third-party compensation of 25.4%, labor costs increases resulting from granted wage increases of 20.4% and communication expenses increases of 50.3%. The following table shows the main components of our distribution segment selling expenses for the specified periods:

Selling Expenses, in AR\$m except %	Fiscal Years Ended December 31,			
	2015		2014	
Fees for third-party services	329.5	39.5%	262.8	39.9%
Labor costs	299.8	36.0%	249.0	37.8%
Communication Expenses	58.7	7.0%	39.1	5.9%
Taxes, rates and contributions	48.5	5.8%	42.2	6.4%
Penalties	24.4	2.9%	18.4	2.8%
Doubtful accounts	24.1	2.9%	21.5	3.3%
Others	48.4	5.8%	25.9	3.9%
Total	833.4	100.0%	658.9	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Administrative expenses from our distribution segment increased by 39.5% to Ps.711.9 million for the fiscal year ended December 31, 2015, compared to Ps.510.3 million for the same period in 2014, mainly due to labor cost increases resulting from wage increases of 35.5%, and increases in third-party compensation and fees between both periods of 36.1%. The following table shows the main components of our distribution segment administrative expenses for the specified periods:

Administrative Expenses, in AR\$m except %	Fiscal Years Ended December 31,			
	2015		2014	
Labor costs	332.3	46.7%	245.5	48.1%
Fees for third-party services	214.8	30.2%	157.8	30.9%
Insurance and rentals	58.2	8.2%	35.2	6.9%
Security surveillance expenses	24.1	3.4%	15.1	3.0%
Others	82.5	11.6%	56.6	11.1%
Total	711.9	100.0%	510.3	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Other operating income and expenses for the fiscal year ended December 31, 2015 amounted to a net loss of Ps.504.3 million, compared to a loss of Ps.266.1 million for the same period in 2014, which was mainly due to higher losses from provisions for liabilities (Ps.151.0) and uncollectible tax credits (Ps.80.6), voluntary retirements (Ps.18.2 million) and debit and credit tax (Ps.21.1 million). These effects were partly offset with an increase in the income from services to third parties (Ps.20.3 million) and a decrease in expenses under the FOCEDE fund implemented under Resolution no. 347/2012 (Ps.38.1 million). The following table shows the main components of our distribution segment other operating income and expenses for the specified periods:

Other Op. Income & Expenses, in AR\$m except %	Fiscal Years Ended December 31,			
	2015		2014	
Provision for contingencies	(226.4)	44.9%	(75.4)	28.3%
Debit and credit tax	(86.3)	17.1%	(65.1)	24.5%
Allowance for uncollectible tax credits	(80.7)	16.0%	(0.1)	0.0%
Other expenses FOCEDE	(59.6)	11.8%	(97.7)	36.7%
Income from services to third-parties	53.6	(10.6%)	33.3	(12.5%)
Voluntary retirements	(43.2)	8.6%	(25.0)	9.4%
Net expenses for technical functions	(12.9)	2.6%	(16.2)	6.1%
Others	(48.8)	9.7%	(19.8)	7.4%
Total	(504.3)	100.0%	(266.1)	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Operating income from our distribution activities increased by Ps.2,421.7 million to a profit of Ps.2,140.2 million for the fiscal year ended December 31, 2015, compared to a loss of Ps.281.5 million for the same period in 2014, mainly due to the fact that the implementation of SE Resolution No. 32/15 exceeded operating costs. Under this resolution there was a recognition of income for Ps.5,576.6 million compared to Ps.2271.9 million for the same period in 2014, which were recognized under SE Resolution No. 250/13 and subsequent Notes. Excluding such effect, operating income from our distribution segment would account for a loss of Ps.3,436.4 million and Ps.2,553.4 million for fiscal years 2015 and 2014, respectively.

Financial results related to our distribution activities represented a loss of Ps.1,351.1 million for the fiscal year ended December 31, 2015, a 37.6% higher the loss compared to Ps.981.6 million loss for the same period of 2014, primarily due to the appreciation of the U.S. Dollar on the outstanding debt incurred in said currency

(Ps.577.3 million), losses in financial liability interest (Ps.166.6 million), and a decrease in the income from financial interest due to the implementation of SE Resolution No. 250/2013 and subsequent Notes (Ps.145.6 million). These were partially offset by higher income from changes in the fair value of financial assets (Ps.283.7 million) and lower losses from commercial interest due to the incurred debt with CAMMESA (Ps.267.2 million). The following table illustrates the main components of financial results from our distribution segment:

Financial Results, in AR\$m except %	Fiscal Years Ended December 31,			
	2015		2014	
Financial income				
Financial interest	50.1	52.1%	195.7	81.9%
Commercial interest	46.1	47.9%	43.3	18.1%
Subtotal	96.2	100.0%	239.0	100.0%
Financial cost				
Financial interest	(360.2)	62.4%	(193.6)	28.0%
Commercial interest	(192.5)	33.4%	(459.7)	66.4%
Fiscal interest	(4.1)	0.7%	(5.9)	0.9%
Others	(20.2)	3.5%	(33.3)	4.8%
Subtotal	(577.0)	100.0%	(692.5)	100.0%
Other financial results				
Foreign exchange differences, net	(1,225.1)	140.8%	(647.8)	122.7%
Changes in the fair value of financial instruments	351.8	(40.4%)	68.1	(12.9%)
Result from repurchase of financial debt	-	-	44.4	(8.4%)
Others	3.0	(0.3%)	7.3	(1.4%)
Subtotal	(870.3)	100.0%	(528.1)	100.0%
Total	(1,351.1)	100.0%	(981.6)	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

In turn, our distribution operations recorded an income tax charge of Ps.176.3 million in the fiscal year ended December 31, 2015, compared to Ps.161.8 million credits in the same period of 2014.

Finally, our distribution activities registered a net profit of Ps.612.8 million for the fiscal year ended December 31, 2015, of which Ps.59.1 million are attributable to the Company's owners, compared to a loss of Ps.742.1 million for the same period in 2014 attributable to the Company's owners .

Oil and gas Segment

Net sales related to our oil and gas segment increased to Ps.943.5 million for the fiscal year ended December 31, 2015, 164.4% higher compared to Ps.356.8 million in the same period of 2014 mainly due to an increase in sales primarily as a result of higher production in the Rincón del Mangrullo Block and the entry into effect of the Addendum to the investment Agreement with YPF. The following table shows Petrolera Pampa's oil and gas production under the investment agreements entered into by Petrolera Pampa for the specified periods:

	Fiscal Years Ended December 31,	
	2015	2014
Oil (m³/d)		
Ysur	5.3	9.3
Petrobras	4.6	3.9
YPF	15.8	2.9
Total	25.7	16.1
Gas (m³/d)		
Ysur	65.2	90.7
Petrobras	366.1	365.1
YPF	994.5	355.7
Senillosa	14.2	-
Total	1,439.9	811.5

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Cost of sales related to our oil and gas segment increased by 228.1% to Ps.660.0 million for the fiscal year ended December 31, 2015, compared to Ps.201.2 million for the same period of 2014, mainly due to higher costs from well depreciation (Ps.194.4 million), costs of internal consumption of oil and gas production (Ps.125.2 million) as a result of increased production in the Rincón del Mangrullo Block and the entry into effect of the Addendum to the investment Agreement with YPF, and fees for third-party services (Ps.54.1 million). The following table shows the main components of cost of sales from our oil and gas segment for the specified periods:

Cost of Sales, in AR\$m except %	Fiscal Years Ended December 31,			
	2015		2014	
Depreciation of property, plant and equipment	275.0	41.7%	80.6	40.1%
Gas production	162.8	24.7%	37.6	18.7%
Royalties	119.5	18.1%	49.4	24.6%
Fees for third-party services	71.4	10.8%	17.3	8.6%
Labor costs	10.4	1.6%	6.8	3.4%
Others	20.9	3.2%	9.4	4.6%
Total	660.0	100.0%	201.2	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Therefore, gross profit related to our oil and gas segment increased by 82.2% to Ps.283.5 million for the fiscal year ended December 31, 2015, compared to Ps.155.6 million for the same period in 2014.

Selling expenses related to our oil and gas segment increased to Ps.115.7 million for the fiscal year ended December 31, 2015, compared to Ps.36.5 million for the same period of 2014, mainly due to the accrual of higher costs under compensation agreements for the benefit of certain officers of Petrolera Pampa (Ps.55.0 million) and

higher tax losses (Ps.22.7 million). The following table shows the main components of our oil and gas segment selling expenses for the specified periods:

Selling Expenses, in AR\$m except %	Fiscal Years Ended December 31,			
	2015		2014	
Compensation agreements	74.3	64.2%	19.3	52.9%
Taxes, rates and contributions	35.9	31.0%	13.2	36.1%
Others	5.6	4.8%	4.0	11.0%
Total	115.7	100.0%	36.5	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Administrative expenses increased Ps.149.7 million for the fiscal year ended December 31, 2015, compared to Ps.71.1 million for the same period of 2014, principally due to the accrual of higher costs under compensation agreements for the benefit of certain officers of Petrolera Pampa (Ps.75.4 million) and higher labor costs (Ps.7.3 million), which were partly offset by lower fees for third-party services (Ps.6.2 million). The following table illustrates the main components of administrative expenses from our oil and gas segment for the specified periods:

Administrative Expenses, in AR\$m except %	Fiscal Years Ended December 31,			
	2015		2014	
Compensation agreements	101.0	67.5%	25.6	36.0%
Labor costs	20.9	14.0%	13.6	19.2%
Fees for third-party services	19.6	13.1%	25.7	36.2%
Others	8.2	5.5%	6.1	8.6%
Total	149.7	100.0%	71.1	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Other operating income from our oil and gas activities registered a profit of Ps.466.8 million for the fiscal year ended December 31, 2015, 437.3% higher compared to the profit of Ps.86.9 million for the same period in 2014, mainly due to an increase in the additional compensation under the Surplus Injection Promotion Program implemented by Resolution No. 1/2013 (Ps.546.8 million for the same period in 2015, compared to Ps.127.1 million in 2014). The following table shows the main components of other operating income and expenses of our oil and gas segment for the specified periods:

Other Op. Income & Expenses, in AR\$m except %	Fiscal Years Ended December 31,			
	2015		2014	
Res. No. 1/13 Natural Gas Excess Injection Income	546.8	117.1%	127.1	146.4%
Compensation agreements	(48.3)	(10.4%)	(16.7)	(19.2%)
Debit and credit tax	(32.8)	(7.0%)	(12.8)	(14.8%)
Decrease in property, plant and equipment	(3.0)	(0.7%)	(21.8)	(25.1%)
Recovery of expenses	-	-	6.5	7.5%
Others	4.1	0.9%	4.5	5.1%
Total	466.8	100.0%	86.9	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

The operating gain related to our oil and gas segment amounted to Ps.484.8 million for the fiscal year ended December 31, 2015, compared to Ps.134.9 million for the same period in 2014.

Financial results related to our oil and gas activities represented a profit of Ps.30.5 million for the fiscal year ended December 31, 2015, compared to a loss of Ps.40.7 million for the same period of 2014, mainly due to higher profits from net foreign exchange differences on account of the devaluation of the Peso, the currency in which most of Petrolera Pampa's debt is denominated (Ps.201.9 million), and changes in the fair value of financial assets (Ps.101.9 million), which were partly offset by higher losses from financial interests (Ps.208.9 million). The following table shows the main components of the financial results from our oil and gas segment for the specified periods:

Financial Results, in AR\$mm except %	Fiscal Years Ended December 31,			
	2015		2014	
Financial income				
Financial interest	11.9	100.0%	12.7	98.3%
Commercial interest	0.0	0.0%	0.2	1.7%
Subtotal	11.9	100.0%	12.9	100.0%
Financial cost				
Financial interest	(381.5)	98.0%	(173.5)	98.2%
Others	(7.8)	2.0%	(3.2)	1.8%
Subtotal	(389.3)	100.0%	(176.7)	100.0%
Other financial results				
Changes in the fair value of financial instruments	246.2	60.3%	144.3	117.3%
Foreign exchange differences, net	180.7	44.3%	(21.3)	(17.3%)
Asset retirement obligation	(18.9)	(4.6%)	-	-
Subtotal	408.0	100.0%	123.0	100.0%
Total	30.5	100.0%	(40.7)	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Also, our oil and gas segment recorded an income tax charge of Ps.163.6 million for the fiscal year ended December 31, 2015, compared to a charge of Ps.10.2 million for the same period in 2014.

Finally, our oil and gas segment registered a net profit of Ps.351.8 million for the fiscal year ended December 31, 2015, of which Ps.174.6 million are attributable to the owners of the Company, compared to a profit of Ps.41.9 million for the same period in 2014, attributable to the owners of the Company.

Holding and Others Segment

Net sales related to our holding and others segment were Ps.53.6 million for the fiscal year ended December 31, 2015, 20.4% lower compared to Ps.67.2 million in the same period of 2014. These sales mostly correspond to fees collected from companies of our other segments.

Cost of sales related to our holding and others segment increased by 14.1% to Ps.2.3 million in the fiscal year ended December 31, 2015, compared to Ps.2.0 million for the same period of 2014, mainly due to higher labor costs (Ps.0.7 million). The following table illustrates the main components of costs of sales from our holding and others segment for the specified periods:

Cost of Sales, in AR\$m except %	Fiscal Years Ended December 31,			
	2015		2014	
Labor costs	1.2	51.1%	0.5	23.2%
Inventory purchases	0.8	33.9%	1.2	59.8%
Others	0.3	15.0%	0.3	17.0%
Total	2.3	100.0%	2.0	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Therefore, gross profit related to our holding and others segment was Ps.51.3 million for the fiscal year ended December 31, 2015, 21.4% lower compared to Ps.65.3 million for the same period of 2014.

We did not record significant selling expenses related to our holding and others segment.

Administrative expenses increased 60.5% to Ps.130.7 million for the fiscal year ended December 31, 2015, compared to Ps.81.5 million for the same period in 2014, principally due to higher fees of directors and statutory auditors (Ps.19.3 million), fees for third-party services (Ps.19.0 million) and taxes, rates and contributions (Ps.18.7 million). These effects were partly offset by lower labor costs (Ps.4.2 million). The following table illustrates the main components of administrative expenses from our holding and others segment for the specified periods:

Administrative Expenses, in AR\$m except %	Fiscal Years Ended December 31,			
	2015		2014	
Taxes, rates and contributions	32.2	24.6%	13.5	16.6%
Directors' and statutory auditors' fees	31.4	24.0%	12.1	14.8%
Fees for third-party services	31.3	23.9%	12.3	15.1%
Labor costs	19.0	14.5%	23.2	28.4%
Directors' options reserve	0.0	0.0%	6.7	8.2%
Others	16.9	12.9%	13.7	16.8%
Total	130.7	100.0%	81.5	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Other operating income and expenses from our holding and others segment registered a profit of Ps.211.8 million during fiscal year ended December 31, 2015, 4,955.4% higher compared to a gain of Ps.4.2 million for the same period in 2014. Mainly due to the profits registered of Ps.215.4 million from the cancellation of TGS loan granted by TGS through the assignment of the ICSID Claim to TGS (See Item 4 – Our Business – TGS – Ciesa Transaction”). The following table shows the main components of our holding and other segment other operating income and expenses for the specified periods:

Other Op. Income & Expenses, in AR\$mm except %	Fiscal Years Ended December 31,			
	2015		2014	
Gain from discharge/cancellation of TGS Loan	215.4	101.7%	0.0	-
Debit and credit tax	(3.3)	(1.6%)	(0.9)	(21.7%)
Provision for fiscal credits	(2.5)	(1.2%)	(0.2)	(4.7%)
Recovery of expenses	2.4	1.2%	1.7	40.3%
Provision for contingencies	(0.1)	(0.1%)	(0.9)	(21.8%)
Dividends	0.0	-	3.4	82.3%
Others	(0.1)	(0.0%)	1.1	25.5%
Total	211.8	100.0%	4.2	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

The operating gain related to our holding and others segment amounted to Ps.122.4 million for the fiscal year ended December 31, 2015, compared to an operating loss of Ps.13.6 million for the same period in 2014, primarily due to the profits arising from the cancellation of the debt under the loan granted by TGS described above.

Financial results related to holding and others segment represented a profit of Ps.2,257.4 million for the fiscal year ended December 31, 2015, compared to Ps.921.4 million for the same period in 2014, mainly due to higher profits for changes in the fair value of financial assets (Ps.1,074.8 million), net foreign exchange differences (Ps.262.1 million) and the repurchase of corporate bonds (Ps.7.2 million), partially offset by higher losses from net financial interest (Ps.1.1 million) and fiscal interest (Ps.8.3 million). The following table illustrates the main components of financial results from our holding and others segment for the specified periods:

Financial Results, in AR\$mm except %	Fiscal Years Ended December 31,			
	2015		2014	
Financial income				
Financial interest	25.5	100.0%	13.1	100.0%
Subtotal	25.5	100.0%	13.1	100.0%
Financial cost				
Fiscal interest	(21.7)	108.1%	(13.4)	(1,575.5%)
Financial interest	2.8	(13.9%)	16.3	1,918.3%
Others	(1.2)	5.8%	(2.1)	(242.8%)
Subtotal	(20.1)	100.0%	0.8	100.0%
Other financial results				
Changes in the fair value of financial instruments	1,637.0	72.7%	562.2	62.0%
Foreign exchange differences, net	605.0	26.9%	343.0	37.8%
Result from repurchase of Corporate Bonds	9.9	0.4%	2.7	0.3%
Others	(0.0)	(0.0%)	(0.5)	(0.1%)
Subtotal	2,251.9	100.0%	907.5	100.0%
Total	2,257.4	100.0%	921.4	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Also, our holding and others segment recorded an income tax charge of Ps.54.5 million for the fiscal year ended December 31, 2015, compared to a charge of Ps.27.8 million for the same period of 2014.

Finally, our holding and others segment registered a net profit of Ps.2,325.3 million for the fiscal year ended December 31, 2015 compared to a net profit of Ps.879.9 million recorded in the same period of 2014, attributable to the Company's owners.

Year ended December 31, 2014 compared to year ended December 31, 2013

Generation Segment

Generation net sales increased by 31.4% to Ps. 2,275.5 million for the fiscal year ended December 31, 2014 from Ps.1,731.3 million for the same period in 2013. The increase of Ps.544.1 million in electricity generation net sales was mainly due to the combined effect of the growth in average electricity selling prices calculated for the segment (Ps.225.3 per MWh for the fiscal year ended December 31, 2014, compared to Ps.193.0 per MWh for the same period in 2013, which represents a sales increase of Ps.287.8 million), and also due to the amount of electricity sold for the segment (9,802.0 GWh for the fiscal year ended December 31, 2014, compared to 8,908.8 GWh for the same period in 2013, which represents a sales increase of Ps.201.2 million).

Average electricity generation selling prices in this segment reflects the impact of the pricing scheme provided in SE Resolution No. 529/2014, which was passed in May 2014 and changed the remuneration scheme provided under SE Resolution No. 95/2013 with retroactive effect to February 2013 and the changes in the exchange rate, which impacted our Energía Plus and SE Resolution No. 220/2007 agreements. Moreover, the increase in electricity sales (in GWh) was mainly due to greater generation in CTLL's steam turbine and a higher dispatch at CPB. Both effects were partly offset by a lower dispatch at CTG, as well as to a lower dispatch in our hydraulic units, on account of lower water input levels in the area. The following table shows net electricity sales (in GWh) from the power generation plants:

In GWh	Fiscal Years Ended December 31,					
	2014			2013		
	Net generation	Purchases	Total sales	Net generation	Purchases	Total sales
Hydroelectric facilities:						
HINISA	516.1	33.0	549.1	616.1	216.8	832.9
HIDISA	322.4	28.9	351.3	420.8	209.2	629.9
Thermal facilities:						
CTG	1,528.2	596.2	2,124.4	1,674.8	592.8	2,267.6
CTLL	3,420.9	80.8	3,501.7	1,947.1	425.1	2,372.2
CTP*	131.1	0.0	131.1	130.3	0.0	130.3
CPB	3,089.6	54.8	3,144.4	2,229.2	446.7	2,675.9
Total	9,008.3	793.6	9,802.0	7,018.4	1,890.5	8,909.8

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Generation cost of sales decreased by 17.5% to Ps.1,176.7 million for the fiscal year ended December 31, 2014 from Ps.1,426.8 million for the same period in 2013, mainly due to the decline in energy purchases of 80.8% in our hydroelectric power units and of 47.3% in our thermal power units, due to the fact that as from the implementation of SE Resolution No. 95/2013 the WEM agreement administration has been managed by CAMMESA. The reduction in cost of sales was also due to a drop of 84.0% in penalties and 20.3% in maintenance costs of our thermal power units as CTLL's steam turbine was fixed. These effects were partly offset by greater labor costs of 32.8% in our hydraulic power units and of 41.1% in our thermal power units, as well as a 42.9% increase in our hydroelectric facilities maintenance costs. The following table shows the main components of our generation segment cost of sales for the specified periods:

Cost of Sales, in AR\$m except %	Fiscal Years Ended December 31,			
	2014		2013	
Hydroelectric facilities:				
Labor costs	55.3	34.1%	41.7	17.1%
Energy purchases	25.1	15.5%	131.2	54.0%
Amortization for intangible assets	19.4	12.0%	19.4	8.0%
Royalties	18.1	11.2%	21.5	8.9%
Repairs and Maintenance	10.3	6.3%	7.2	3.0%
Rental and insurance	6.3	3.9%	4.3	1.8%
Material consumption	3.1	1.9%	2.3	0.9%
Fees for third-party services	2.3	1.4%	1.7	0.7%
Depreciation of property, plant and equipment	1.7	1.1%	1.7	0.7%
Others	20.4	12.6%	12.0	4.9%
Total hydroelectric	162.2	100.0%	243.0	100.0%
Thermal facilities:				
Energy purchases	218.5	21.5%	414.9	35.0%
Labor costs	215.6	21.3%	152.8	12.9%
Gas consumption	213.8	21.1%	182.5	15.4%
Depreciation of property, plant and equipment	107.1	10.6%	80.0	6.8%
Repairs and Maintenance	74.3	7.3%	93.3	7.9%
Material consumption	42.2	4.2%	38.4	3.2%
Rental and insurance	42.1	4.2%	40.8	3.4%
Fees for third-party services	20.8	2.1%	21.0	1.8%
Penalties	11.4	1.1%	71.0	6.0%
Liquid fuel consumption	0.0	0.0%	29.3	2.5%
Others	68.6	6.8%	59.7	5.0%
Total thermal	1,014.5	100.0%	1,183.8	100.0%
Total	1,176.7	100.0%	1,426.8	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Therefore, our generation segment gross profit increased by 260.8% to Ps.1,098.8 million for the fiscal year ended December 31, 2014 compared to Ps.304.5 million for the same period in 2013.

Selling expenses from our generation segment decreased to Ps.17.9 million for the fiscal year ended December 31, 2014, compared to Ps.78.5 million for the same period in 2013, mainly due to a Ps.44.7 million decrease in the amount paid for tax sales and a Ps.16.1 million decrease in doubtful accounts. Selling expenses relating to our hydroelectric power units amounted to Ps.8.4 million and Ps.22.0 million, and those corresponding to our thermal power units reached Ps.9.5 million and Ps.56.5 million for the fiscal years ended December 31, 2014 and 2013, respectively. The following table shows the main components of our generation segment selling expenses for the specified periods:

Selling Expenses, in AR\$m except %	Fiscal Years Ended December 31,			
	2014		2013	
Taxes, rates and contributions	9.1	50.6%	53.8	68.5%
Labor costs	4.8	26.9%	4.7	6.0%
Doubtful accounts	1.5	8.3%	17.6	22.5%
Others	2.5	14.1%	2.4	3.0%
Total	17.9	100.0%	78.5	100.0%
<i>Of which:</i>				
Hydroelectric	8.4	46.8%	22.0	28.1%
Thermal	9.5	53.2%	56.5	71.9%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Generation administrative expenses increased to Ps.200.0 million for the fiscal year ended December 31, 2014, compared to Ps.139.0 million for the same period in 2013, mainly due to higher labor costs in our generation subsidiaries. Administrative expenses corresponding to our hydroelectric units amounted to Ps.21.5 million and Ps.20.2 million, while our thermal power units amounted to Ps.178.5 million and Ps.118.8 million for the fiscal years ended December 31, 2014 and 2013, respectively. The following table shows the main components of our generation segment administrative expenses segment for the specified periods:

Administrative Expenses, in AR\$m except %	Fiscal Years Ended December 31,			
	2014		2013	
Labor costs	105.7	52.8%	76.0	54.6%
Fees for third-party services	50.4	25.2%	28.1	20.2%
Rental and insurance	12.1	6.1%	5.1	3.7%
Depreciation of property, plant and equipment	5.7	2.8%	6.4	4.6%
Taxes, rates and contributions	5.2	2.6%	5.7	4.1%
Others	20.9	10.5%	17.8	12.8%
Total	200.0	100.0%	139.0	100.0%
<i>Of which:</i>				
Hydroelectric	21.5	10.8%	20.2	14.5%
Thermal	178.5	89.2%	118.8	85.5%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Other generation operating income and expenses resulted in a total profit of Ps. 39.9 million and Ps.315.9 million for the fiscal years ended December 31, 2014 and 2013, respectively, mainly due to the recovery of insurance claims registered by CTLL and the registration of the discount granted as compensation for breaches (reversal of the provision) of the Isolux agreement for CTLL expansion works in 2013. The following table shows the main components of our generation segment other operating income and expenses for the specified periods:

Other Op. Income & Expenses, in AR\$m except %	Fiscal Years Ended December 31,			
	2014		2013	
Recovery of receivables	49.5	124.0%	0.5	0.2%
Recovery of tax on gross income	37.9	95.1%	-	-
Debit and credit tax	(30.9)	(77.4%)	(25.4)	(8.0%)
Provision for contingencies	(20.1)	(50.4%)	-	-
Other operating costs for contract termination	(11.4)	(28.5%)	-	-
Recovery of insurance	5.6	14.1%	246.0	77.9%
Provision for fiscal credits	(4.0)	(10.0%)	(7.7)	(2.4%)
Recognition of March Agreement	-	-	85.2	27.0%
Others	13.2	33.0%	17.3	5.5%
Total	39.9	100.0%	315.9	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Generation operating income increased by 150.5% to Ps.1,009.1 million for the fiscal year ended December 31, 2014, compared to Ps.402.8 million for the same period in 2013. Operating profit further reflects the reversal of an impairment in property, plant and equipment by Ps.88.4 million in December 31, 2014.

Generation financial results accounted for a loss of Ps.152.1 million for the fiscal year ended December 31, 2014, compared to a loss of Ps.590.0 million for the same period in 2013, mainly due to an increase in adjustments to current value of CAMMESA's consolidated credits (Ps.375.6 million) and income for commercial interest (141.0 million), which were partly offset by an increase in net foreign exchange losses (Ps.104.8 million). The following table shows the main components of our generation segment financial income for the specified periods:

Financial Results, in AR\$m except %	Fiscal Years Ended December 31,			
	2014		2013	
Financial income				
Commercial interest	179.2	74.4%	48.4	75.7%
Financial interest	61.7	25.6%	15.5	24.3%
Others	0.0	0.0%	0.0	0.1%
Subtotal	240.9	100.0%	63.9	100.0%
Financial cost				
Financial interest	(222.8)	71.7%	(176.7)	81.6%
Fiscal interest	(31.7)	10.2%	(22.2)	10.3%
Commercial interest	(1.1)	0.4%	(11.3)	5.2%
Others	(55.2)	17.7%	(6.2)	2.9%
Subtotal	(310.8)	100.0%	(216.5)	100.0%
Other financial results				
Foreign exchange differences, net	(417.9)	508.0%	(313.1)	71.6%
Results from current value measurement	216.4	(263.1%)	(159.2)	36.4%
Changes in the fair value of financial instruments	116.1	(141.1%)	34.9	(8.0%)
Other financial results	3.2	(3.8%)	-	-
Subtotal	(82.3)	100.0%	(437.5)	100.0%
Total	(152.1)	100.0%	(590.0)	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Our generation segment recorded an income tax charge of Ps.224.1 million for the fiscal year ended December 31, 2014, compared to a charge of Ps.20.7 million for the same period in 2013.

Finally, our generation segment recorded a net profit of Ps.633.0 million for the fiscal year ended December 31, 2014, of which Ps.529.3 million are attributable to the owners of the Company, compared to a loss of Ps.191.9 million for the same period in 2013 attributable to the owners of the Company.

Transmission Segment

Transmission net sales increased by 69.0% to Ps.738.4 million for the fiscal year ended December 31, 2014, compared to Ps.436.9 million for the same period in 2013. Net regulated sales increased by 72.1% to Ps.577.2 million for the fiscal year ended December 31, 2014, from Ps.335.4 million recorded for the same period in 2013, mainly as a result of greater recognition of cost variations (Ps.425.0 million in 2014 compared to Ps.183.6 million in 2013), pursuant to the Instrumental Agreement and the Renewal Agreement. Net revenues from royalties increased by 19.3% to Ps.9.1 million for the fiscal year ended December 31, 2014 from Ps.7.6 million for the same period in 2013. Other sales increased by 62.0% to Ps.152.1 million for the fiscal year ended December 31, 2014 from Ps.93.9 million for the same period in 2013, mainly as a result of increased unregulated revenues from Transener (supervision and construction works) and Transba.

Transmission cost of sales increased by 37.1% to Ps.539.7 million for the period ended December 31, 2014, compared to Ps.393.7 million for the same period in 2013, mainly as a result of prevailing increases in labor costs in 2014. The following table shows the main components of our transmission segment cost of sales for the specified periods:

Cost of Sales, in AR\$m except %	Fiscal Years Ended December 31,			
	2014		2013	
Labor costs	298.8	55.4%	215.8	54.8%
Material consumption	52.6	9.7%	12.1	3.1%
Depreciation of property, plant and equipment	42.8	7.9%	40.9	10.4%
Repairs and Maintenance	25.7	4.8%	20.4	5.2%
Rental and insurance	23.1	4.3%	3.2	0.8%
Transport and per diem	23.0	4.3%	18.4	4.7%
Fees for third-party services	13.7	2.5%	10.4	2.6%
Others	60.0	11.1%	72.5	18.4%
Total	539.7	100.0%	393.7	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Therefore, transmission gross profit increased to Ps.198.7 million for the fiscal year ended December 31, 2014, from a Ps.43.2 million profit for the same period in 2013, mainly as a result of greater sales recognition arising from the Instrumental Agreement and the Renewal Agreement.

We do not record selling expenses related to our transmission activities.

Transmission administrative expenses increased by 35.7% to Ps.91.8 million for the fiscal year ended December 31, 2014, compared to Ps.67.7 million for the same period in 2013, mainly due to a labor cost increase associated with higher salaries. The following table shows the main components of our transmission segment administrative expenses for the specified periods:

Administrative Expenses, in AR\$m except %	Fiscal Years Ended December 31,			
	2014		2013	
Labor costs	67.1	73.1%	44.3	65.4%
Fees for third-party services	6.0	6.5%	4.3	6.4%
Depreciation of property, plant and equipment	4.3	4.7%	4.2	6.2%
Insurance and rentals	3.4	3.7%	5.1	7.5%
Others	11.0	12.0%	9.8	14.5%
Total	91.8	100.0%	67.7	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Other transmission operating income and expenses recorded a loss of Ps.7.6 million for the fiscal year ended December 31, 2014, compared to a Ps.2.6 million profit for the same period in 2013. The following table shows the main components of our transmission segment other operating income and expenses for the specified periods:

Other Op. Income & Expenses, in AR\$m except %	Fiscal Years Ended December 31,			
	2014		2013	
Debit and credit tax	(11.1)	146.1%	(7.0)	(269.2%)
Recovery of insurance	2.7	(35.6%)	9.3	357.7%
Others	0.8	(10.4%)	0.3	11.5%
Total	(7.6)	100.0%	2.6	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Transmission operating income accounted for a profit of Ps.99.3 million for the fiscal year ended December 31, 2014, compared to a loss of Ps.21.9 million for the same period in 2013, mainly as a result of increases in regulated sales, which were partly offset by increases in the above-described costs and expenses.

Transmission financial results accounted for a profit of Ps.24.7 million for the fiscal year ended December 31, 2014, compared to a profit of Ps.16.2 million for the same period in 2013, mainly as a result of an increase in interest income from the Fourth Line and the IVC under the Memorandum of Understanding (Ps.53.1 million), partly offset by an increase in foreign exchange losses (Ps.16.4 million), and financial interest on liabilities (Ps.17.4 million). The following table shows the main components of our transmission segment financial results income for the specified periods:

Financial Results, in AR\$m except %	Fiscal Years Ended December 31,			
	2014		2013	
Financial income				
Financial interest	226.1	100.0%	173.0	100.0%
Subtotal	226.1	100.0%	173.0	100.0%
Financial cost				
Financial interest	(58.9)	99.2%	(41.5)	99.0%
Others	(0.5)	0.8%	(0.4)	1.0%
Subtotal	(59.4)	100.0%	(41.9)	100.0%
Other financial results				
Foreign exchange differences, net	(138.4)	97.4%	(122.0)	106.2%
Others	(3.6)	2.6%	7.1	0.3%
Subtotal	(142.0)	100.0%	(114.9)	100.0%
Total	24.7	100.0%	16.2	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Our transmission segment recorded an income tax charge of Ps.51.4 million for the fiscal year ended December 31, 2014, compared to a profit of Ps.0.8 million for the same period in 2013.

Finally, our transmission segment recorded a net profit of Ps.34.1 million for the fiscal year ended December 31, 2014, compared to a net loss of Ps.4.9 million for the same period in 2013, both attributable to the Company's owners.

Distribution Segment

Net sales from our distribution activities increased by 4.6% to Ps.3,598.4 million in the fiscal year ended December 31, 2014, compared to Ps.3,440.7 million for the same period in 2013, mainly due to charges collected from Edenor's customers to be allocated to the FOCEDE fund, implemented under Resolution No. 347/2012. Edenor's electricity sales volume between 2013 and 2014 decreased in 382 GWh, compared to sales volume being 21,292 GWh in 2014 to 21,674 GWh in 2013.

The cost of sales increased by 14.4% to Ps.4,716.5 million in the fiscal year ended December 2014, compared to Ps.4,122.5 million for the same period in 2013, mainly due to higher labor costs. The following table shows the main components of our distribution segment cost of sales for the specified periods:

Cost of Sales, in AR\$m except %	Fiscal Years Ended December 31,			
	2014		2013	
Energy purchases	1,878.1	39.8%	2,050.3	49.7%
Labor costs	1,373.2	29.1%	790.7	19.2%
Fees for third-party services	714.3	15.1%	665.1	16.1%
Penalties	233.9	5.0%	234.8	5.7%
Depreciation of property, plant and equipment	211.8	4.5%	201.7	4.9%
Materials for works	205.9	4.4%	121.9	3.0%
Others	99.4	2.1%	58.0	1.4%
Total	4,716.5	100.0%	4,122.5	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Therefore, the gross loss from our distribution activities increased to Ps.1,118.1 million in the fiscal year ended December 31, 2014, compared to a loss of Ps.681.8 million for the same period in 2013, mainly due to the cost of sales increase that was not offset by a revenue increase.

Selling expenses increased by 20.0% to Ps.658.9 million in the fiscal year ended December 31, 2014, compared to Ps.549.1 million for the same period in 2013, mainly due to increases in third-party compensation and fees between both periods, and labor cost increases resulting from granted wage increases, partly offset by lower penalties and doubtful accounts. The following table shows the main components of our distribution segment selling expenses for the specified periods:

Selling Expenses, in AR\$m except %	Fiscal Years Ended December 31,			
	2014		2013	
Fees for third-party services	262.8	39.9%	198.5	36.1%
Labor costs	249.0	37.8%	179.4	32.7%
Taxes, rates and contributions	42.2	6.4%	34.3	6.3%
Communication Expenses	39.1	5.9%	32.6	5.9%
Doubtful accounts	21.5	3.3%	38.0	6.9%
Penalties	18.4	2.8%	52.7	9.6%
Others	25.9	3.9%	13.7	2.5%
Total	658.9	100.0%	549.1	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Administrative expenses from our distribution segment increased by 53.4% to Ps.510.3 million for the fiscal year ended December 31, 2014, compared to Ps.322.6 million for the same period in 2013, mainly due to labor cost increases resulting from wage increases, and increases in third-party compensation and fees between both

periods. The following table shows the main components of our distribution segment administrative expenses for the specified periods:

Administrative Expenses, in AR\$m except %	Fiscal Years Ended December 31,			
	2014		2013	
Labor costs	245.5	48.1%	152.7	45.9%
Fees for third-party services	157.8	30.9%	107.1	32.2%
Insurance and rentals	35.2	6.9%	21.9	6.6%
Security surveillance expenses	15.1	3.0%	10.4	3.1%
Others	56.6	11.1%	40.6	12.2%
Total	510.3	100.0%	332.6	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Other operating income and expenses for the fiscal year ended December 31, 2014, amounted to a net loss of Ps.266.1 million, compared to a loss of Ps.81.2 million for the same period in 2013. The following table shows the main components of our distribution segment other operating income and expenses for the specified periods:

Other Op. Income & Expenses, in AR\$m except %	Fiscal Years Ended December 31,			
	2014		2013	
Other expenses FOCEDE	(97.7)	36.7%	-	-
Provision for contingencies	(75.4)	28.3%	(36.0)	44.4%
Debit and credit tax	(65.1)	24.5%	(55.8)	68.8%
Income from services to third-parties	33.3	(12.5%)	21.7	(26.7%)
Voluntary retirements	(25.0)	9.4%	(15.9)	19.6%
Net expenses for technical functions	(16.2)	6.1%	(15.5)	19.2%
Allowance for uncollectible tax credits	(0.1)	0.0%	-	-
Others	(19.8)	7.4%	20.4	(25.2%)
Total	(266.1)	100.0%	(81.2)	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Operating income from our distribution activities decreased by Ps.1,569.9 million to a loss of Ps.281.5 million for the fiscal year ended December 31, 2014, compared to a profit of Ps.1,288.4 million for the same period in 2013, mainly due to the fact that the implementation of SE Resolution No. 250/2013 and the subsequent Notes were not enough to offset higher operating costs. Under this resolution there was a recognition of higher costs for Ps.2,271.9 million in the fiscal year 2014, compared to Ps.2,993.1 million for the same period in 2013. Excluding such effect, operating income from our distribution segment would account for a loss of Ps.2,553.4 million for the fiscal year 2014.

Financial results related to our distribution activities represented a loss of Ps.981.6 million for the fiscal year ended December 31, 2014, a 39.4% higher loss compared to a loss of Ps.704.2 million for the same period of 2013, primarily due to the appreciation of the U.S. Dollar on the outstanding debt incurred in said currency (Ps.115.4 million), and losses from commercial interest under the debt with CAMMESA (Ps.133.9 million). The following table illustrates the main components of financial results from our distribution segment for the specified periods:

Financial Results, in AR\$m except %	Fiscal Years Ended December 31,			
	2014		2013	
Financial income				
Financial interest	195.7	81.9%	238.0	82.9%
Commercial interest	43.3	18.1%	49.1	17.1%
Subtotal	239.0	100.0%	287.1	100.0%
Financial cost				
Commercial interest	(459.7)	66.4%	(325.8)	57.6%
Financial interest	(193.6)	28.0%	(214.7)	37.9%
Fiscal interest	(5.9)	0.9%	(13.8)	2.4%
Others	(33.3)	4.8%	(11.5)	2.0%
Subtotal	(692.5)	100.0%	(565.8)	100.0%
Other financial results				
Foreign exchange differences, net	(647.8)	122.7%	(532.5)	125.1%
Changes in the fair value of financial instruments	68.1	(12.9%)	15.0	(3.5%)
Result from repurchase of financial debt	44.4	(8.4%)	88.9	(20.9%)
Others	7.3	(1.4%)	3.1	(0.7%)
Subtotal	(528.1)	100.0%	(425.5)	100.0%
Total	(981.6)	100.0%	(704.2)	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

In turn, our distribution operations recorded an income tax charge of Ps.161.8 million in the fiscal year ended December 31, 2014, compared to Ps.52.7 million credits in the same period of 2013.

Finally, our distribution activities registered a net loss of Ps.1,101.4 million for the fiscal year ended December 31, 2014, of which Ps.742.1 million are attributable to the Company's owners, compared to a gain of Ps.163.5 million for the same period in 2013 attributable to the Company's owners.

Oil and gas Segment

Net sales related to our oil and gas segment were Ps.356.8 million for the fiscal year ended December 31, 2014, 109.6% higher compared to Ps.170.1 million in the same period of 2013. These sales mostly corresponded to sales of gas and oil. The following table shows Petrolera Pampa's oil and gas production under the investment agreements entered into by Petrolera Pampa for the specified periods :

	Fiscal Years Ended December 31,	
	2014	2013
Oil (m³/d)		
Ysur	9.3	11.2
Petrobras	3.9	4.2
YPF	2.9	0.0
Total	16.1	15.4
Gas (m³/d)		
Ysur	90.7	98.1
Petrobras	365.1	275.6
YPF	355.7	-
Total	811.5	373.7

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Cost of sales related to our oil and gas segment increased by 128.1% to Ps.201.2 million in the fiscal year ended December 31, 2014 compared to Ps.88.2 million for the same period of 2013. The following table illustrates the main components of cost of sales from our oil and gas segment for the specified periods:

Cost of Sales, in AR\$m except %	Fiscal Years Ended December 31,			
	2014		2013	
Depreciation of property, plant and equipment	80.6	40.1%	35.6	40.4%
Royalties	49.4	24.6%	24.03	27.3%
Gas production	37.6	18.7%	11.6	13.1%
Fees for third-party services	17.3	8.6%	9.1	10.3%
Labor costs	6.8	3.4%	3.9	4.4%
Others	9.4	4.6%	4.0	4.5%
Total	201.2	100.0%	88.2	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Therefore, gross profit related to our oil and gas segment was Ps.155.6 million for the fiscal year ended December 31, 2014 compared to Ps.81.9 million for the same period of 2013.

Selling expenses related to our oil and gas segment increased to Ps.36.5 million for the fiscal year ended December 31, 2014 compared to Ps.8.5 million for the same period of 2013. The following table illustrates the main components of selling expenses from our oil and gas segment for the specified periods:

Selling Expenses, in AR\$m except %	Fiscal Years Ended December 31,			
	2014		2013	
Compensation agreements	19.3	52.9%	1.9	22.5%
Taxes, rates and contributions	13.2	36.1%	5.3	62.2%
Others	4.0	11.0%	1.3	15.4%
Total	36.5	100.0%	8.5	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Administrative expenses increased 172.4% to Ps.71.1 million for the fiscal year ended December 31, 2014 compared to Ps.26.1 million for the same period of 2013, principally due to higher fees for third-party services, compensation agreements with some of Petrolera Pampa's executives and labor costs. The following table illustrates the main components of administrative expenses from our oil and gas segment for the specified periods:

Administrative Expenses, in AR\$m except %	Fiscal Years Ended December 31,			
	2014		2013	
Fees for third-party services	25.7	36.2%	5.3	20.3%
Compensation agreements	25.6	36.0%	7.0	26.8%
Labor costs	13.6	19.2%	7.8	29.8%
Others	6.1	8.6%	6.1	23.2%
Total	71.1	100.0%	26.1	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Other operating income from our oil and gas activities registered a profit of Ps.86.9 million for the fiscal year ended December 31, 2014, 233.3% higher compared to a gain of Ps.26.1 million for the same period in 2013, mainly due to Ps.104.5 million from the implementation of Natural Gas Excess Injection Encouragement Program of Petrolera Pampa, which was partly offset by losses in property, plant and equipment (Ps.18.1 million) and compensation agreements (Ps.16.7 million). The following table shows the main components of our oil and gas segment other operating income and expenses for the specified periods:

Other Op. Income & Expenses, in AR\$m except %	Fiscal Years Ended December 31,			
	2014		2013	
Res. No. 1/13 Natural Gas Excess Injection Income	127.1	146.4%	22.6	86.4%
Decrease in property, plant and equipment	(21.8)	(25.1%)	(3.6)	(13.9%)
Compensation agreements	(16.7)	(19.2%)	0.0	-
Debit and credit tax	(12.8)	(14.8%)	(1.7)	(6.5%)
Recovery of expenses	6.5	7.5%	6.9	26.4%
Others	4.5	5.1%	2.0	7.7%
Total	86.9	100.0%	26.1	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

The operating gain related to our oil and gas segment amounted to Ps.134.9 million for the fiscal year ended December 31, 2014 compared to an operating gain of Ps.73.5 million for the same period of 2013, primarily explained by an increase in net sales from Petrolera Pampa in 2014 and Resolution No. 1/2013 Natural Gas Excess Injection Income.

Financial results related to our oil and gas activities represented a loss of Ps.40.7 million for the fiscal year ended December 31, 2014 compared to a loss of Ps.32.1 million for the same period of 2013, primarily due to higher losses from net financial interest (Ps.104.4 million), partially offset by higher profits from changes on the fair value of financial assets (Ps.106.2 million). The following table shows the main components of financial results from our oil and gas segment for the specified periods:

Financial Results, in AR\$m except %	Fiscal Years Ended December 31,			
	2014		2013	
Financial income				
Financial interest	12.7	98.3%	2.0	97.0%
Others	0.2	1.7%	0.1	3.0%
Subtotal	12.9	100.0%	2.1	100.0%
Financial cost				
Financial interest	(173.5)	98.2%	(58.5)	97.3%
Others	(3.2)	1.8%	(1.6)	2.7%
Subtotal	(176.7)	100.0%	(60.1)	100.0%
Other financial results				
Changes in the fair value of financial instruments	144.3	117.3%	38.1	146.4%
Foreign exchange differences, net	(21.3)	(17.3%)	(12.1)	(46.4%)
Subtotal	123.0	100.0%	26.0	100.0%
Total	(40.7)	100.0%	(32.0)	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Also, our oil and gas segment recorded an income tax charge of Ps.10.2 million for the fiscal year ended December 31, 2014, compared to a charge of Ps.4.2 million for the same period of 2013.

Finally, our oil and gas segment registered a net profit of Ps.83.9 million for the fiscal year ended December 31, 2014, of which Ps.41.9 are attributable to the owners of the Company, compared to a net profit of Ps.37.2 million recorded in the same period of 2013, attributable to the owners of the Company.

Holding and Others Segment

Net sales related to our holding and others segment were Ps.67.2 million for the fiscal year ended December 31, 2014, 53.2% higher compared to Ps.43.9 million in the same period of 2013. These sales mostly corresponded to fees collected from companies of our other segments.

Cost of sales related to our holding and others segment increased by 136.2% to Ps.2.0 million in the fiscal year ended December 31, 2014 compared to Ps.0.8 million for the same period of 2013. The following table shows the main components of cost of sales from our holding and others segment for the specified periods:

Cost of Sales, in AR\$m except %	Fiscal Years Ended December 31,			
	2014		2013	
Inventory purchases	1.2	59.8%	0.2	20.0%
Labor costs	0.5	23.2%	0.4	45.3%
Others	0.3	17.0%	0.3	34.6%
Total	2.0	100.0%	0.8	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Therefore, gross profit related to our holding and others segment was Ps.65.3 million for the fiscal year ended December 31, 2014 compared to Ps.43.0 million for the same period of 2013.

We do not record selling expenses related to our holding and others segment.

Administrative expenses increased 3.0% to Ps.81.5 million for the fiscal year ended December 31, 2014 compared to Ps.78.8 million for the same period of 2013, principally due to higher labor costs. The following table illustrates the main components of administrative expenses from our holding and others segment for the specified periods:

Administrative Expenses, in AR\$m except %	Fiscal Years Ended December 31,			
	2014		2013	
Labor costs	23.2	28.4%	17.8	22.8%
Taxes, rates and contributions	13.5	16.6%	18.1	23.2%
Fees for third-party services	12.3	15.1%	11.8	15.0%
Directors' and statutory auditors' fees	12.1	14.8%	12.5	16.0%
Directors' options reserve	6.7	8.2%	8.9	11.4%
Others	13.7	16.8%	9.1	11.6%
Total	81.5	100.0%	78.2	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Other operating income and expenses from our holding and other segment registered a profit of Ps.4.2 million for the fiscal year ended December 31, 2014, 218.3% higher compared to a gain of Ps.1.3 million for the same period in 2013. The following table shows the main components of our holding and others segment other operating income and expenses for the specified periods:

Other Op. Income & Expenses, in AR\$m except %	Fiscal Years Ended December 31,			
	2014		2013	
Dividends	3.4	82.3%	4.5	355.0%
Recovery of expenses	1.7	40.3%	3.1	241.2%
Provision for contingencies	(0.9)	(21.8%)	(0.4)	(31.3%)
Debit and credit tax	(0.9)	(21.7%)	(0.9)	(68.4%)
Provision for fiscal credits	(0.2)	(4.7%)	(2.3)	(183.9%)
Others	1.1	25.5%	(2.7)	(212.6%)
Total	4.2	100.0%	1.3	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

The operating loss related to our holding and others segment amounted to Ps.13.6 million for the fiscal year ended December 31, 2014 compared to an operating loss of Ps.31.5 million for the same period of 2013.

Financial results related to our holding and others represented a profit of Ps.921.4 million for the fiscal year ended December 31, 2014 compared to a profit of Ps.329.4 million for the same period of 2013, primarily due to higher profits for changes on the fair value of financial assets (Ps.354.3 million) and net foreign exchange differences (Ps.229.4 million). The following table illustrates the main components of financial results from our holding and others segment for the specified periods:

Financial Results, in AR\$m except %	Fiscal Years Ended December 31,			
	2014		2013	
Financial income				
Financial interest	13.1	100.0%	4.5	100.0%
Subtotal	13.1	100.0%	4.5	100.0%
Financial cost				
Financial interest	16.3	1,918.3%	16.5	230.6%
Fiscal interest	(13.4)	(1,575.5%)	(4.9)	(68.3%)
Others	(2.1)	(242.8%)	(4.5)	(62.3%)
Subtotal	0.8	100.0%	7.1	100.0%
Other financial results				
Changes in the fair value of financial instruments	562.2	62.0%	207.9	65.4%
Foreign exchange differences, net	343.0	37.8%	113.5	35.7%
Result from repurchase of Corporate Bonds	2.7	0.3%	-	-
Others	(0.5)	(0.1%)	(3.7)	(1.2%)
Subtotal	907.5	100.0%	317.7	100.0%
Total	921.4	100.0%	329.4	100.0%

Note: All figures have been subject to rounding, so figures shown as totals may not sum.

Also, our holding and others segment recorded an income tax charge of Ps.27.8 million for the fiscal year ended December 31, 2014, compared to a charge of Ps.15.7 million for the same period of 2013.

Finally, our holding and others segment registered a net profit of Ps.879.9 million for the fiscal year ended December 31, 2014, which are attributable to the owners of the Company, compared to a net profit of Ps.282.2 million recorded in the same period of 2013, attributable to the owners of the Company.

Liquidity and Capital Resources

Sources and uses of funds

We acquired our principal generation, transmission and distribution assets relatively recently, beginning in the second half of 2006. Our principal source of liquidity for these acquisitions was capital contributions from our shareholders, particularly our September 2006 and February 2007 equity offerings. We have also used a combination of funds from operations and short-term borrowings to make our last acquisitions. In September 2006, we consummated a capital increase of 300 million shares of our common stock, including shares issued in the form of GDSs, which was subscribed by Argentine and international investors and generated aggregate cash proceeds to us of approximately Ps. 345 million. In February 2007 we consummated an additional capital increase of 600 million shares of our common stock, including shares issued in the form of GDSs in an underwritten offering to Argentine and international investors, which generated aggregate cash proceeds to us of approximately Ps. 1.3 billion. In addition, we acquired our indirect controlling interest in EASA in September 2007 through an exchange of newly-issued shares of our company for the shares of DESA and IEASA held by EASA's former indirect shareholders. In connection with this acquisition, in September 2007 we issued 480,194,242 additional shares of our common stock to the former indirect shareholders of EASA, including shares issued in the form of GDSs. In 2011, we acquired: a controlling interest in EMDERSA and AESEBA, the CIESA Bonds and other liabilities of CIESA, and PEPCA through a combination of funds from operations, and short-term borrowings, a significant part of which has already been cancelled. In 2012, we spun off EMDERSA and sold its subsidiaries other than EDELAR and EGSSA, as well as started the exchange process from CIESA notes to CIESA shares. In March 2013, we sold our controlling interest in AESEBA and in October 2013, we sold our controlling interest in EDELAR. On November 2015, the holders of all warrants formally communicated their decision to exercise them against the payment of the exercise price. On December 2015, against the payment of US\$ 103 million, the Company issued 381,548,564 new common shares in the form of ADS. After such issuance, the Company's current capital stock is comprised of 1,695,859,459 common shares.

Our business activities are now focused on the development and value-enhancement of our energy assets, while continuing to identify, evaluate and invest in other opportunities in the Argentine energy industry that offer significant growth potential and/or synergies with our electricity businesses such as our investments in the oil and gas sector. Historically, our operating subsidiaries have relied on their respective cash flows from operations and on short-term and long-term borrowings to finance their operations, including capital expenditures. As of April 30, 2015, due to tariff freeze and increased operating costs, our subsidiaries began to receive financing from the Argentine Government (mainly from CAMMESA) in order to fulfill the operating deficit or to make capital expenditures. We expect that our principal sources of liquidity for any future acquisitions by us will include capital contributions from our shareholders, cash flow from the operations of our subsidiaries and short-term and long-term borrowings. Under current conditions, we expect our operating subsidiaries will continue to rely on cash flow from operations and short-term and long-term borrowings and government financing to finance their capital requirements in the near term. We currently expect to generate sufficient working capital through cash flow generated from operations, short- and long-term borrowings and other additional financing activities.

In the Distribution segment, 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, 2015, 2014 and 2013. In order to preserve and guarantee the provision of the public service and improve the existing cash deficit, beginning in October 2012 Edenor decided to partially cancel the obligations with CAMMESA with surplus cash balances. This decision arose as a consequence of the volume of 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 SE Resolution No. 32/2015, Edenor resumed full payment of its commercial obligations with CAMMESA, but did not cancel past commercial debt. As of the date of this annual report, Edenor's commercial debt with CAMMESA amounts to approximately Ps. 2,714.3 million including interest. In November 2015, Edenor 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 Distribution Business—Edenor may not have the ability to raise the funds necessary to repay its commercial debt with CAMMESA, Edenor's major supplier."

Since entering into the Adjustment Agreement in February 2006, Edenor has been engaged in an RTI with the ENRE, relating to the adjustment and renegotiation of the terms of the concession. If Edenor is not able to recover all of the incremental costs contemplated in the Adjustment Agreement and all such future cost increases or there is a significant lag of time between when Edenor incurs the incremental costs and when it receives increased revenues, or if it is not successful in achieving a satisfactory re-negotiation of its tariff structure, Edenor may be unable to comply with its financial and commercial obligations, it may suffer liquidity shortfalls and it may need to restructure its debt to ease its financial condition, all of which, individually or in the aggregate, would have a material adverse effect on its business and results of operations and may cause the value of its ADSs to decline.

The Argentine Government adopted a series of measures such as the issuance of ENRE Resolution No. 347/2012, SE Resolution No. 32/2015 and the granting of certain economic assistance program (through the extension of loans for consumption (mutuums)) to help Edenor cope with its cash needs for specific purposes. The obligations deriving from such financial assistance programs are classified in our financial statements as “other payables” and the related costs as “financial expenses”, since they result from a lack of adjustment of the electricity rate schedule, which depends exclusively on the Argentine Government and financial assistance has been granted under these special circumstances. Therefore, such obligations do not constitute financing decisions made by Edenor in the ordinary course of business.

On June 24, 2014, by Note No. 4012/2014, the SE instructed CAMMESA to enter into a loan for the consumption and assignment of secured receivables agreement with Edenor in order to pay the higher salary costs. The aforementioned agreement was entered into on July 10, 2014. The agreement was guaranteed by Edenor through the assignment of future surplus sale settlements with maturity dates to be determined (*Liquidaciones de Venta con Fecha de Vencimiento a Definir*, or the “LVFVDs”), as a result of the application of SE Resolution No. 250/2013.

As of December 31, 2014, Edenor’s debt related to this financing amounted to Ps. 298 million (comprised of Ps.280.6 million in principal and Ps. 17.4 million in accrued interest).

In September 2014, the SE, through Resolution No. 65/2014, instructed CAMMESA to enter into a loan and guarantee assignment agreement with Edenor 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 SE Resolution No. 347/2012. During 2015, after several amendments, such loan agreement reached Ps. 2,913 million for the entire plan.

SE Resolution No. 32/2015 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 Edenor received this loan (mutuum); allowing any amounts discussed thereunder to be offset with outstanding balances of LVFVDs. The LVFVDs were issued on July 16, 2015 to compensate the debt generated for the higher cost salaries under the loan for consumption (mutuum) and assignment of secured receivables agreement.

As of December 31, 2015, the total debt under these loans (mutuum agreements) amounted to Ps. 1,099.8 million, comprised of Ps. 923.6 million in principal for the actual disbursements, and Ps. 176.2 million in accrued interest.

These loans were discontinued as from February 1, 2016 under the terms of ME&M Resolution No. 7/2016.

Edenor’s principal uses of cash are expected to be operating costs, the servicing of our financial debt and our investment plan. Edenor is subject to limitations on its 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.

Although the ENRE is expected to take all necessary action to conclude the RTI process by December 31, 2016, the outcome of such process is uncertain. Thus, if in the future: (i) the new electricity rate schedules are not issued pursuant to the RTI by the ENRE; (ii) Edenor is not granted any other recognition of additional revenue or any other mechanism to compensate for cost increases, and/or; (iii) Edenor does not obtain from the Argentine government any other financing to cover cost increases, it is likely that Edenor will have insufficient liquidity and

will therefore be obliged to pursue measures similar to those applied in the past in order to preserve cash and enhance its 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 Distribution 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.”

In the oil and gas segment, our financial condition and liquidity is and will continue to be influenced by a variety of factors, including: (i) our ability to generate cash flows from our operations; (ii) our capital expenditure requirements; (iii) the level of our outstanding indebtedness and the interest we are obligated to pay on this indebtedness; and (iv) changes in exchange rates that impact our generation of cash flows when measured in U.S. Dollars.

Petrolera Pampa’s principal sources of liquidity have historically been contributed by shareholder equity, debt financings and cash generated by its operations. As of the date of this annual report, Petrolera Pampa is focused on the development of proved gas reserves, while continuing to identify, evaluate and invest in other opportunities in the Argentine oil and gas sector.

Petrolera Pampa believes that its current operations and 2016 capital expenditures program can be funded from cash flows from existing operations, cash on hand and by refinancing its debt securities that mature in 2016. Should Petrolera Pampa’s operating cash flow decline due to unforeseen events, including delivery restrictions or a protracted downturn in oil and gas prices, it would examine measures such as further capital expenditure program reductions, pre-sale agreements, disposition of assets or a debt or equity issuance, among others.

We record a portion of our trade receivables in our generation segment as non-current assets, as we do not expect to collect payment on these receivables within the following year in accordance with the terms of such receivables. In our generation segment, our non-current trade receivables relate to (i) amounts owed us by FONINVEMEN, which are payable in 120 monthly installments, and (ii) credits arising from the 2008-2015 LVFVDs accrued as of SE Resolution No. 406/2003 which are not committed to other projects and as “Additional Remuneration” which are allocated to the trust included in the new scheme established for the remuneration of the generation sector provided in SE Resolution No. 95/2013, as amended, that are expected to finance the Loma de la Lata 2014 Expansion Project.

Our total non-current trade receivables amounted to Ps. 888.7 million as of December 31, 2015. “See Item 4. – The Argentine Electricity Sector - Regulatory and Legal Framework–FONINVEMEM - WEM Supply Agreements under SE Resolution No. 724/2008 - Price Scheme - 2008-2011 Agreement.”

Each of our segments operates as a separate entity and all funding and treasury policies are controlled at the segment level. While we do not have a centralized funding and treasury policy among segments, we maintain our cash and cash equivalents in Pesos, and in U.S. Dollars depending on medium term requirements and availability, at all levels of operations. We and our subsidiaries conduct financing at both variable and fixed rates.

The table below reflects our cash position at the dates indicated and the net cash provided by (used in) operating, investing and financing activities during the years indicated:

	At December 31,		
	Restated	Restated	
	2015	2014	2013
	(in millions of pesos)		
Cash at the beginning of the year	335.2	341.7	167.8
Net cash generated by operating activities	4,365.8	2,193.5	1,656.2
Net cash used in investing activities	(7,114.5)	(2,472.1)	(1,456.6)
Net cash generated by (used in) financing activities	2,852.2	232.9	(76.9)
Foreing currency exchange difference generated by cash and cash equivalent	77.9	39.2	51.2
Cash and cash equivalent at the end of the year	516.6	335.2	341.7

Net cash generated by operating activities

Net cash generated by operating activities amounted to Ps. 4,365.8 million for the year ended December 31, 2015, attributable principally to net income adjustments of Ps. 2,226 million for changes in the fair value of financial instruments, Ps. 551.5 million for Higher Costs Recognition associated with SE Resolution No. 250/2013 and subsequent Notes issued by the SE, Ps. 495.5 million for income recognition on account of the RTI associated with SE Resolution No. 32/2015 in our distribution segment and Ps. 215.4 million from the cancellation of debts with arbitration rights, which were partially offset by the positive adjustments to net income for non-cash charges in this period, including losses related to a Ps. 720.7 million for depreciation and amortization of assets, Ps. 566.2 million for foreign currency exchange difference and Ps. 859.6 million for interest accruals

Changes in operating assets and liabilities amounted to Ps. 582 million for the year ended December 31, 2015. These changes in operating assets and liabilities were primarily due to a Ps. 251 million increase in proceeds from account payables with CAMMESA, Ps. 1,061.4 million increase in trade and other payables and Ps. 185.2 for proceeds from derivative financial instruments, which were partially offset by Ps. 988.7 million increase in trade and other receivables.

Net cash generated by operating activities amounted to Ps. 2,193.5 million for the year ended December 31, 2014, attributable principally to net income adjustments of Ps. 907.9 million for changes in the fair value of financial instruments, Ps. 2,271.9 million for Higher Costs Recognition associated with SE Resolution No. 250/2013 and subsequent Notes issued by the SE in our distribution segment, Ps. 223.3 million for results from measurement at present value and Ps. 47.1 million resulting from purchase of corporate bonds, which were partially offset by the positive adjustments to net income for non-cash charges in this period, including losses related to a Ps. 467.2 million for depreciation and amortization of assets, Ps. 761.3 million for foreign currency exchange difference and Ps. 596.7 million for interest accruals

Changes in operating assets and liabilities amounted to Ps. 3,027 million for the year ended December 31, 2014. These changes in operating assets and liabilities were primarily due to a Ps. 2,974.9 million increase in proceeds from accounts payables with CAMMESA and Ps. 482.9 million increase from funds obtained for PUREE at our distribution segment, which were partially offset by Ps. 753.8 million increase in trade and other receivables.

Net cash generated by operating activities amounted to Ps. 1,656.2 million for the year ended December 31, 2013, attributable principally to net income adjustments of Ps. 295.9 million for changes in the fair value of financial instruments, Ps. 2,933.1 million for Higher Costs Recognition associated with SE Resolution No. 250/2013 and subsequent Notes issued by the SE in our distribution segment, and Ps. 88.9 million resulting from purchase of corporate bonds, which were partially offset by the positive adjustments to net income for non-cash charges in this period, including losses related to a Ps. 374.8 million for depreciation and amortization of assets, Ps. 744.2 million for foreign currency exchange difference, Ps. 447.6 million for interest accruals, Ps. 199.1 for discontinued operations at our distribution segment, and Ps. 155.9 million for results from measurement at present value.

Changes in operating assets and liabilities amounted to Ps. 2,416.3 million for the year ended December 31, 2013. These changes in operating assets and liabilities were primarily due to a Ps. 183.4 million increase in trade and other payables, Ps. 2,231.5 million increase in proceeds from account payables with CAMMESA, and Ps. 491.9

million increase from funds obtained for PUREE at our distribution segment, which were partially offset by Ps. 508.7 million increase in trade and other receivables.

Net cash used in investing activities

Net cash used in investing activities amounted to Ps. 7,114.5 million for the year ended December 31, 2015, principally due to Ps. 4,797.9 million in capital expenditures, Ps. 3,506.2 million paid for the purchases of financial assets at fair value and Ps. 1,390.9 million in the purchase and redemption of securities issued by investments funds. These uses of cash and cash equivalents were partially offset by net cash and cash equivalent generated by our investing activities, including Ps. 2,263.9 million of proceeds from the sale of financial assets at fair value and Ps. 293.4 million in proceeds from deposits in guarantee.

Net cash used in investing activities amounted to Ps. 2,472.1 million for the year ended December 31, 2014, principally due to Ps. 2,331.1 million in capital expenditures, Ps. 1,055.5 million paid for the purchases of financial assets at fair value and Ps. 276.6 million in constitution of deposits in guarantee. These uses of cash and cash equivalents were partially offset by net cash and cash equivalent generated by our investing activities, including Ps. 1,258.2 million of proceeds from the sale of financial assets at fair value.

Net cash used in investing activities amounted to Ps. 1,456.6 million for the year ended December 31, 2013, principally due to Ps. 1,050.3 million in capital expenditures, Ps. 353.5 million paid for the purchases of financial assets at fair value, Ps. 282.2 million in subscription and rescue of investments funds, net, and Ps. 124.2 million in connection with discontinued operations at our distribution segment. These uses of cash and cash equivalents were partially offset by net cash and cash equivalents generated by our investing activities, including Ps. 279.1 million of proceeds from the sale of financial assets at fair value.

Net cash generated by (used in) financing activities

Net cash generated by our financing activities amounted to Ps. 2,852.2 million for the year ended December 31, 2015, principally due to Ps. 4,793.3 million generated by borrowings at our different segments, Ps. 998.8 million of capital contributions that we received and Ps. 214.9 million proceeds obtained from the mutuum with CAMMESA. These funds generated of cash and cash equivalents were partially offset by payments of Ps. 3,013 made in connection with bank and financial borrowings (including principal and interest) by all of our segments.

Net cash generated by our financing activities amounted to Ps. 232.9 million for the year ended December 31, 2014, principally due to Ps. 2,519.4 million of net cash and cash equivalent generated by borrowings at our different segments and Ps. 380.6 million proceeds obtained from the mutuum with CAMMESA. These funds generated of cash and cash equivalents were partially offset by payments of Ps. 2,821.4 made in connection with bank and financial borrowings (including principal and interest) by all of our segments.

Net cash used in our financing activities amounted to Ps. 76.9 million for the year ended December 31, 2013, principally due to payments of Ps. 779.6 made in connection with bank and financial borrowings (including principal, interest and repurchase costs for the repurchase of debt) by all of our segments. These uses of cash and cash equivalent were partially offset by Ps. 656.5 million of net cash and cash equivalents generated by borrowings at our different segments and Ps. 25.4 million generated in connection with discontinued operations at our distribution segment.

Capital Expenditures

The following table sets forth our capital expenditures for the years ended December 31, 2015 and 2014:

	At December 31,			
	2015		2014	
	(in millions of pesos)			
Generation	Ps.	1,515.6	Ps.	387.0
Distribution		2,518.2		1,701.8
Oil and gas		2,213.6		618.8
Holding and others		0.5		1.6
	Ps.	6,247.9	Ps.	2,709.2

In 2015, our capital expenditures in our generation segment mainly related to work in progress and advances to suppliers (Ps. 1,433.6 million) and materials and spare parts (Ps. 73.6 million). In our distribution segment, we invested Ps. 2,518.2 million, a substantial portion of which was used to expand and improve our grid in order to keep pace with the growth in our customer base. In addition, we made investments in order to meet our quality standards levels. Our capital expenditures in our oil and gas segment increased in line with the execution of Petrolera Pampa's investment commitments under the YPF Agreement.

In 2014, our capital expenditures in our generation segment mainly related to work in progress and advances to suppliers (Ps. 330.1 million), materials and spare parts (Ps. 30.1 million) and generation equipment and machinery (Ps. 9.0 million). In our distribution segment, we invested Ps. 1,701.8 million to expand and improve our grid in order to keep pace with the growth in our customer base. In addition, we made investments in order to meet our quality standards levels and to maintain the level of past due receivables. In October 2015, Edenor decided to acquire 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 Ps.439.2 million, which, as of December 31, 2015, was fully paid. As security for the amount paid, Edenor received a surety bond from the seller. Our capital expenditures in our oil and gas segment increased in line with the execution of Petrolera Pampa's investment commitments under the YPF Agreement.

In our generation segment we currently expect our capital expenditures to remain high in 2016, principally in connection with the completion of Loma de la Lata's 2014 Expansion Project and the major maintenance works in one CPB's units (unit 30). In our oil and gas segment, for the year 2016 Petrolera Pampa expects to continue with the development plan with YPF in the Rincón del Mangrullo Area, and to complete the installation of a new treatment plant and compression infrastructure in order to increase production. We expect to cover such capital expenditures mainly with cash flows from operations, cash on hand, short- and long-term borrowings and financing extended by CAMMESA.

Debt

The economic crisis in Argentina, and the measures adopted by the Argentine Government to address it, had a material adverse effect on the generation, transmission and distribution companies and operations that are now part of our group. See "Item 4. - The Argentine Electricity Sector—History." As a result of these developments, several of these companies were forced to suspend principal and interest payments on their debt and have gone through one or more financial debt restructurings, including Güemes, Transener and Edenor. Given the ongoing changes in the Argentine electricity regulatory framework, including the current uncertainties regarding transmission and distribution tariffs, we cannot assure you that one or more of our subsidiaries or operations will not have to undergo another debt restructuring in the future, or whether any such debt restructuring will be successful.

Our total consolidated financial debt as of December 31, 2015 was Ps. 7,992.4 million, of which 83.6% was long-term debt. Approximately 39.1% of our consolidated debt outstanding at December 31, 2015 was denominated in U.S. Dollars. The amount of our total consolidated financial debt does not include Transener given that our stake in Transener constitutes an interest in a joint venture, and it is not consolidated and it is valued according to the equity method of accounting in the Restated Consolidated Financial Statements.

The below is a description of the main characteristics of the indebtedness of our group companies.

Under the terms of their respective outstanding debt, our group companies are subject to a number of restrictive covenants, including limitations on incurrence of new indebtedness, capital expenditures and dividend payments, among others. As of December 31, 2015, all of these companies were in compliance with the covenants under their respective outstanding indebtedness.

Generation

Piedra Buena

On March 21, 2011, Piedra Buena entered into a loan agreement with CAMMESA to finance a construction project that will increase the power output of steam turbine units of Piedra Buena, for a total amount of Ps. 56.8 million, in accordance to SE Resolution No. 146/2002 and Notes No.6157/10 and 7375/10. The collected amounts will be returned in 48 monthly, equal and consecutive installments, which will include interest resulting from the application of a rate equivalent to the average yield obtained by CAMMESA from its WEM's financial placements, the first installment maturing on the month immediately following the works' conclusion, estimated for the month of June 2011. Installments have been paid by WEM pursuant to the provisions of such notes, and distribution among demanding agents will be made based on the applicable criteria to be timely informed by the SE.

As from the works' conclusion of each unit, Piedra Buena guaranteed a minimum 80% availability for each unit during a three-year period, which, as of the date of this annual report, has concluded. In order to guarantee the due performance of the obligations undertaken by Piedra Buena under this contract, Piedra Buena assigned and transferred to CAMMESA 100% of its current and future receivables, both accrued and to be accrued, excluding those receivables already assigned to CTLL as of December 31, 2010.

As of May 2011, Piedra Buena finished the works undertaken and, as from July 2011, units were made subject to the minimum availability control set forth by the loan agreement executed with CAMMESA. In case of breach of its availability obligation by Piedra Buena, the agreement provides for the application of a penalty, the maximum amount of which is set at 25% of the value of the received financing's principal installment. During fiscal year ended December 31, 2013, Piedra Buena has started to bear penalties for failing to reach the minimum 80% availability undertaken under the loan agreement. The penalties imposed on Piedra Buena during the fiscal year ended December 31, 2014 and 2015 amounted to Ps. 4.7 and Ps. 4.7 million, respectively.

On January 27, 2012, Piedra Buena executed an addendum to the loan agreement entered into with CAMMESA which modified the financing amount, which current amounts to Ps. 69.6 million. As of December 31, 2015, the loan was totally cancelled.

On January 8, 2013, Piedra Buena signed a loan agreement with CAMMESA stipulating the terms for the financing of certain repair work delayed in units BBLATV29 and BBVLATV30 for an amount of Ps. 19.9 million plus VAT pursuant to SE Resolution No. 146/2002 so as to cover 70% of those maintenance costs.

On February 25, 2013, through Note No. B-78922-1, CAMMESA informed Piedra Buena of the modification to that financing pursuant to the provisions approved by SE Resolution No. 356/2013 increasing the financing to Ps. 32.7 million plus VAT in order to cover 100% of maintenance costs.

On April 24, 2014, Piedra Buena off set the loan against the LVFVDs for the amount of Ps. 39,545,740 plus interest.

Finally, in August 2013, through Piedra Buena LegR Note No. 64/13, CPB submitted to CAMMESA the "2014-2015 Maintenance Plan" for the conduct of major maintenance works in units BBLATV29 and BBLATV30, requesting its approval based on a remuneration scheme that would allow for their financing as the remuneration set by SE Resolution No. 95/2013 was insufficient to bear the costs of major maintenance works.

The 2014-2015 Maintenance Plan was amended and adjusted after the meetings held with representatives of CAMMESA and the Technical Group (CPB LegR Notes No. 65/13, 67/13 and 72/13). The total estimated amount of the works to be executed is U.S.\$ 82 million plus VAT and associated import duties.

On April 8, 2014, Piedra Buena executed a new loan agreement with CAMMESA for an amount equal to the peso-equivalent of U.S.\$82.6 million plus the associated taxes. This loan is to be paid in 48 equal installments with a grace period of, the first to occur between, 12 months as from the first disbursement of the loan or 24 months as from the subscription of the loan. As long as Piedra Buena's availability is higher than 80% (summer) or 83% (winter), Piedra Buena's payment obligations shall be limited to the revenue established to cover extraordinary maintenance works (SE Resolution No. 529/2014) and 50% of the Debt Payment Cash Flow (as defined in such agreement). If Piedra Buena's availability is below the abovementioned percentages, Piedra Buena shall pay the applicable installment on the applicable payment date.

On May 18, 2015, under the above mentioned loan, CPB requested an additional U.S.\$7.2 million plus VAT, which was granted by CAMMESA to continue the maintenance works.

In order to guarantee the due performance of the obligations taken by Piedra Buena under this agreement, Piedra Buena assigned and transferred to CAMMESA 100% of its current and future receivables, except for the ones already assigned to other projects or agreements, both accrued and to be accrued, excluding those receivables already assigned.

As of the date of this annual report, Piedra Buena received from CAMMESA Ps. 803.0 million of which Ps. 191.5 million were paid with Additional Maintenance Remuneration.

Güemes

On July 25, 2007, CTG finished the restructuring process for its outstanding Series "A" and "B" 2% Corporate Bonds maturing in 2013 (the "2013 Bonds"), having obtained an 88.7% acceptance rate on the total debt subject to restructuring. Said restructuring consisted of exchanging the previous debt securities for a combination of cash payments and the issuance of new simple Corporate Bonds for a nominal value of U.S.\$ 22 million at a 10.5% rate, which are payable on March 11 and September 11 of each year and mature in September 2017 (the "2017 Bonds"). In June and July 2009, CTG repurchased under successive transactions at market prices its 2017 Bonds for a total of U.S.\$ 18.2 million (nominal value). During June and July 2009 and January, March and May 2011, CTG repurchased under successive transactions and at market prices its 2017 Bonds for a nominal value of, approximately, U.S.\$ 18 million and U.S.\$ 0.8 million respectively. During March 2013, CTG cancelled all of its 2013 Bonds. As of December 31, 2015, CTG held all the repurchased 2017 Bonds in its portfolio and the outstanding 2017 Bonds total a nominal value of U.S.\$ 3.1million.

On July 21, 2008, the Ordinary and Extraordinary Shareholders' Meeting of Güemes approved the creation of a Global Program of Securities Representing Short-Term Debt (the "VCP") up to a maximum amount outstanding at any time that may not exceed Ps. 200 million or the equivalent amount in other currencies, under which Güemes may issue VCPs in various classes and/or series, each one of them with an amortization term of up to 365 days or a shorter or longer term that in the future applicable regulations may contemplate (the "Güemes VCP Program"). Such meeting delegated to Güemes' board of directors the power to provide for certain conditions of the Güemes VCP Program and the opportunity of issuance and other terms and conditions of each class and/or series of VCPs to be issued under the Güemes VCP Program. On January 17, 2012, Güemes' Board of Directors approved the terms and conditions of the Güemes VCP Program as detailed in its Prospectus draft. As of the date of this annual report, Güemes has not issued any notes under the Güemes VCP Program.

In addition, on October 11, 2011, Güemes' Extraordinary General Meeting of Shareholders, approved the creation of a program for the issuance of nonconvertible, simple corporate bonds for a nominal value of up to U.S.\$ 50 million or its equivalent in other currencies (the "Güemes Corporate Bonds Program"). The shareholders of Güemes also vested Güemes' board of directors with the power to establish the terms of any debt under the Güemes Corporate Bonds Program and the time of the issuance of such debt. On January 17, 2012 the board of directors approved the terms and conditions of the Güemes Corporate Bonds Program.

On January 3, 2014 the board of directors approved the terms and conditions of the Class 5 Notes to be issued under the Güemes Corporate Bonds Program, and on March 6, 2014, Güemes issued class 5 notes for an amount of Ps. 60.127.495 million at an interest rate equal to the private Badlar rate plus of 5%. The terms and conditions of Class 5 Notes permitted settlement of the same with Notes of Class 3 and/or 4. As a result of this issuance, Ps. 19,092,025 were settled in Class 4 and Ps. 1,835,470 were settled in Class 3, and those Notes are held in CTG's portfolio. Also, on January 27, 2014, the board of directors approved the terms and conditions of the Class 6 Notes to be issued under the Güemes Corporate Bonds Program, and on March 6, 2015, Güemes issued Class 6 Notes for an amount of Ps 91.0 million at an interest rate equal to (i) for the first nine months 28% and (ii) from month tenth to eighteenth private Badlar rate plus 5%. The final maturity date of the Class 5 and Class 6 Notes is September 6, 2016, respectively. In all cases interest under the Notes is payable on a quarterly basis.

On May 18, 2015, CTG entered into a loan agreement with CAMMESA to finance TV11 unit's maintenance in a Peso-denominated amount equivalent to U.S.\$ 10.3 million plus VAT and nationalization costs. This financing is schedule to be repaid in 36 monthly and consecutive installments, with the application of the average yield obtained by CAMMESA from its financial placements with the WEM, maturing as from the date of the economic transaction corresponding to the month following the completion of the works with the possibility of extending this period to 12 months in the case that the remuneration payable for the maintenance of such unit (the "Maintenance Remuneration") accrued in that period is not sufficient to repay the funding. The Maintenance Remuneration will be allocated to the payment of the granted financing. In the case that it is necessary to use the additional period of twelve months mentioned above, in addition to applying the Maintenance Remuneration for cancellation of the installment should be applied Additional Remuneration Direct accrued by CTG in the relevant month.

As of the date of this annual report, CTG had received partial advances in the amount of Ps. 8 million, which are disclosed under trade and other receivables, net of the Maintenance Remuneration.

Loma de la Lata

On December 28, 2009, the shareholders of Loma de la Lata approved the creation of a medium-term note program not to exceed the amount of U.S. \$ 50 million. The terms of any debt under this program were determined by Loma de la Lata's board of directors at the time that such debt were to be issued. In addition, the shareholders approved, under a shareholders meeting held on November 17, 2011, the increase of the amount of the program from U.S.\$ 50 million to U.S.\$ 350 million. The program was approved by the CNV on March 21, 2012. On September 8 and 18, 2014, the board of directors approved the terms and conditions of the Class 1, 2, 3 and 4 notes to be issued under the Loma de la Lata medium-term note program, and on October 30, 2014, Loma de la Lata declared Class 1 deserte, issued Class 2 notes for an amount of Ps 96.4 million at an interest rate equal to the private Badlar rate plus 4% maturing on April 30, 2016, the Class 3 notes for an amount of Ps. 50.8 at an interest rate equal to the private Badlar rate plus 5% to be paid in three installments, maturing on April 30, 2017 and Class 4 notes for an amount of U.S.\$ 29.9 at a fix rate of 6.25% maturing on October 31, 2016.

On November 11, 2014, Banco de Crédito y Securitización S.A., Banco Hipotecario S.A., Industrial and Commercial Bank of China S.A. and Citibank N.A. granted a financing to Loma de la Lata for up to an amount of Ps. 450 million to be paid in eight quarterly, equal and consecutive installments of 11% of the outstanding principal amount of the loan and a ninth installment of 12%. Interest will accrue at an interest rate equal to the fixed private Badlar rate plus 5.75% and will be paid quarterly. The Company granted a guarantee to secure the obligations of Loma de la Lata under the loan and Loma de la Lata issued several promissory notes. As of the date of this annual report, the loan was totally cancelled.

On December 1, 2014, Loma de la Lata entered into a Loan and Receivables Assignment Agreement with CAMMESA for the financing of the 2014 Expansion Project with an investment estimated at Ps. 930 million.

The main characteristics of this financing are described below:

- i) Amount: up to the amount of the receivables accrued until December 31, 2015;
- ii) Interest rate: a rate equivalent to the monthly yield obtained by CAMMESA from its WEM's financial placements;

- iii) Repayment: in a single payment on the maturity of the economic transaction corresponding to the 36th month as from the month following the commercial commissioning of the last generating unit making up the Project or, at Loma de la Lata's option, through a cash payment or the offset with receivables;
- iv) Payment guarantee: assignment 100% of its receivables to the Stabilization Fund, up to the total amount of the financing, as collateral.

On March 5, 2015, CAMMESA granted Loma de la Lata a loan up to the amount of U.S.\$11,799,879 plus VAT and Ps. 7,217,000 plus VAT, to conduct major maintenance works at Loma de la Lata's plant. The financing will (i) be disbursed in different installments according to a work plan, (ii) paid in 36 equal and consecutive installments (with the possibility to extend the maturity up to 12 months) the first of them maturing one month after the end of the works and the availability of the unit LDLTAG02, (iii) bear interest at a variable rate, and (iv) be secured with the assignment and transfer to CAMMESA of 100% of its current and future receivables derived from the *Remuneración Adicional Directa a Generadores* and from the *Remuneración de los Mantenimientos no Recurrentes*, (except for the ones already assigned to other projects or agreements), both accrued and to be accrued, excluding those receivables already assigned. After the end of the works, Loma de la Lata is required to have an availability of 90%. If Loma de la Lata fails to accomplish the required availability, it shall pay the whole applicable installment on the stipulated maturity date.

After unit LDLATG02's maintenance was completed, the unit became operative on December 21, 2014.

Loma de la Lata later requested the execution of an Addendum to the Loan Agreement to conduct the maintenance of unit LDLATG03. On August 20, 2015, Addendum I to this Agreement was executed, which extended the financing to an amount equivalent in Pesos to U.S.\$ 4.8 million and Ps. 18.2 million, in both cases plus VAT, nationalization and logistics costs. Maintenance of unit LDLATG03 finished on June 1, 2015, as from which date the unit became operative again.

Based on the modifications introduced to Addendum I, Loma de la Lata guarantees a minimum of 80% availability from both units until the total repayment of the Financing. If the availability commitment is not met in a certain month, the repayment of the installment will not be limited to the Maintenance Remuneration amount and, if applicable, the difference between it and the Direct Additional Remuneration, and the whole installment will be payable.

Later, an extension of the loan was requested in order to include the execution of unit LDLATG01's overhaul, upgrade and refurbishment in the amount of U.S.\$ 13 million and Ps. 17.8 million, in both cases plus VAT, nationalization and logistics costs, and withholdings to be imposed on foreign contractors. The extension was approved pursuant to SSETT y DEE Note No. 52/16. However, as of the date of this annual report, the applicable Addendum has not yet been entered into.

As of the date of this annual report, Loma de la Lata had received partial advances in the amount of Ps. 191.7 million, which are disclosed under "Loans", net of the Maintenance Remuneration collected by Loma de la Lata.

On March 18, 2015, the shareholders of Loma de la Lata approved the creation of a new medium-term note program not to exceed the amount of U.S. \$ 350 million. The terms of any debt under this program will be determined by Loma de la Lata's board of directors at the time that such debt is issued. The program was approved by the CNV on July 2, 2015. On April 13, 2015, May 22, 2015, August 20, 2015 and October 6, 2015, the board of directors approved the terms and conditions of the Class A, B, C, D and E notes, respectively, to be issued under the Loma de la Lata medium-term note program. On, August 6, 2015, the Class C Notes were issued for an amount of Ps. 257,954,545 at a fixed interest rate equal 27.75% maturing on May 6, 2017. On October 5, 2015, the Class A Notes were issued for an amount of Ps. 282,441,000 at an interest rate equal to Badlar maturing on October 5, 2018. On November 13, 2015, the Class E Notes were issued for an amount of Ps. 575,160,000 at an interest rate equal to Badlar maturing on November 13, 2020.

As of the date of this annual report, no Classes B or D Notes have been issued.

Transmission

Transener

Additionally, due to the delay in the implementation of the cost adjustments as set forth in the Definitive Agreements, on May 12, 2009, pursuant to Resolution No. 146/2002 of the Secretariat of Energy, Transener and Transba entered into a financing agreement with CAMMESA (as lender) for an amount of up to Ps. 59.7 million and Ps. 30.7 million, respectively (the "Initial CAMMESA Agreement"). On December 30, 2009, both companies and CAMMESA executed an amendment to the Initial CAMMESA Agreement (the "Mutual Fund Amendment", and together with the Initial Agreement, the "CAMMESA Financing"), pursuant to which the available financing amount to be provided by CAMMESA was increased to up to Ps.107.7 million and Ps.42.7 million for Transener and Transba, respectively. Transener and Transba will apply the receivables acknowledged by the Secretariat of Energy and the ENRE on account of cost variations (pursuant to the Instrumental Agreement) to the cancellation, up to such amounts, of the financing granted by CAMMESA. On May 2, 2011, Transener and Transba executed amendments to the financing agreements with CAMMESA, which provided for: i) the cancellation of the amounts received as of January 17, 2011 by both companies pursuant to the financing granted by the agreements executed on May 12, 2009; ii) the granting to Transener and Transba of new loans for the amounts of Ps. 289.7 million and Ps. 134.1 million, respectively, corresponding to the favorable balances resulting from receivables acknowledged by the Secretariat of Energy and the ENRE on account of cost variations from June 2005 to November 2010; and iii) all amounts owed to Transener under the Instrumental Agreements would serve as a guarantee for the new CAMMESA Financing. The funds arising from the new loans were used for operation and maintenance purposes and additionally applied to the investment plan for the year 2011. Disbursements are made through partial advances based on the availability of cash and cash equivalents by CAMMESA and as instructed by the Secretariat of Energy. As of December 31, 2011, collected disbursements under this financing amounted to Ps. 235.4 million, Ps. 224.6 million of which correspond to principal and Ps. 10.8 million to accrued interest. All disbursements have been assigned as collateral for the payment of the balance of receivables acknowledged on account of higher costs pursuant to the Complementary Agreement. After December 31, 2011, disbursements amounting to Ps. 9.0 million were collected.

On October 25, 2013 and February 14, 2014, Transba and Transener, respectively negotiated the Addenda III.

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

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

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

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

Distribution

Edenor

On January 20, 2006, Edenor launched a voluntary exchange offer and consent solicitation to the holders of Edenor's outstanding financial debt. All of these holders elected to participate in the restructuring and, as a result, on April 24, 2006, Edenor exchanged all of its then-outstanding financial debt for the following three series of newly issued notes, which Edenor 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, Edenor completed an offering of U.S. \$220 million aggregate principal amount of its 10.5% Senior Notes due 2017, which Edenor refers to as the Senior Notes due 2017. Edenor used a substantial portion of the proceeds from that offering to redeem in full its Discount Notes due 2014 in several transactions throughout the period from October through December 2007.

During 2008, Edenor repurchased U.S. \$17.5 million of its Senior Notes due 2017, of which U.S. \$6 million Senior Notes due 2017 were cancelled.

In May 2009, Edenor issued Ps. 75.7 million principal amount of Par Notes due 2013 under its 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, Edenor repurchased U.S. \$53.8 million Senior Notes due 2017, U.S. \$24.5 million of which was transferred to Edenor as a consequence of the dissolution of the discretionary trust described below.

On October 25, 2010, Edenor 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 launched an offer to purchase under which Edenor 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, 2015, the outstanding amount of Senior Notes due 2022 was 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.

On October 18, 2010, Edenor 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, Edenor 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.

On February 2, 2016, Edenor repurchased the Senior Notes due 2022 at market prices for a nominal value of US\$ 0.3 million.

Oil and Gas

Petrolera Pampa

Short-term Corporate Bonds (VCPs)

On July 27, 2011, the creation of a global short-term debt securities program for a maximum amount of Ps. 200 million, or its equivalent in other currencies, was approved at Petrolera Pampa's extraordinary general meeting of shareholders. Under this program, Petrolera Pampa may issue short-term corporate bonds (in the form of simple, non-convertible bonds), promissory notes or VCPs with common, special and/or floating security and/or any other guarantee (including, but not limited to, third-party guarantees), whether subordinated or not. On July 2, 2015, the maximum amount of this debt securities program was increased to U.S.\$70.0 million.

During the period from 2011 through 2015, Petrolera Pampa issued series 1, 2, 3, 4, 5, 6, 7, 8, 9, 11, 12 and 14 under the VCPs program. Below we summarize the main terms and conditions of the series that remain outstanding.

VCP 14

On April 20, 2016, Petrolera Pampa issued Ps. 295.7 million of its senior unsecured notes due 360 days after the issuance date, at a rate equal to the private BADLAR plus 5.90 % (paid quarterly).

VCP 14 may be redeemed at Petrolera Pampa's option at any moment beginning 90 days prior to final maturity.

At Petrolera Pampa shareholders' meeting held on January 14, 2016, a new global short-term debt securities program for a maximum amount of U.S.\$100.0 million, or its equivalent in other currencies, was approved. Under this program Petrolera Pampa may issue short-term corporate bonds (in the form of simple, non-convertible bonds), promissory notes or VCPs with common, special and/or floating security and/or any other guarantee (including, but not limited to, third-party guarantees), whether subordinated or not. As of the date of this annual report, CNV authorization of this program is pending.

Corporate Bonds (ONs)

On March 19 and May, 10, 2013, a program for the issuance of nonconvertible, simple corporate bonds for a nominal value of up to U.S.\$100.0 million, or its equivalent in other currencies (the "Petrolera Pampa Corporate Bonds Program"), was approved at Petrolera Pampa's extraordinary general meeting of shareholders. Petrolera Pampa's shareholders also vested Petrolera Pampa's board of directors with the power to establish the terms of any debt issuance under the Petrolera Pampa Corporate Bonds Program and determine the time of any such issuance. Accordingly, on March 21, 2013, Petrolera Pampa's board of directors approved the terms and conditions of the Petrolera Pampa Corporate Bonds Program. In 2015, the maximum issuance amount of such Corporate Bonds Program was increased twice, from U.S.\$ 100.0 million to U.S.\$125.0 million, as approved by the CNV on January 29, 2015, and from U.S.\$125.0 million to U.S.\$250.0 million, as approved by the CNV on July 2, 2015. In 2016, the maximum amount of the Petrolera Pampa Corporate Bonds Program was increased again from U.S.\$250.0 million to U.S.\$500.0 million. As of the date of this annual report, CNV authorization of this program is pending.

From 2013 through 2016 series 1, 2, 4, 5, 6 and 7 have been issued under the Petrolera Pampa Corporate Bonds Program. We summarize below the main terms and conditions of the series that remain outstanding.

Outstanding Series under the Petrolera Pampa Corporate Bonds Program

On May 6, 2013, Petrolera Pampa's board of directors approved the terms and conditions of series 1 under the Petrolera Pampa Corporate Bonds Program. On June 26, 2013, Petrolera Pampa issued Ps 254.8 million of series 1 bonds at a variable interest rate equal to the Badlar rate plus 3% and a maturity of 36 months. Series 1 bonds may be redeemed by Petrolera Pampa at any time beginning 18 months prior to the maturity date.

On December 18, 2013 and March 31, 2014, Petrolera Pampa's board of directors approved the terms and conditions of series 2 and 3, respectively, under the Petrolera Pampa Corporate Bonds Program. On June 6, 2014, Petrolera Pampa issued Ps. 525.4 million of series 2 bonds at a variable interest rate equal to the Badlar rate and a maturity of 36 months. The series 3 bonds were not issued. Series 2 bonds may be redeemed by Petrolera Pampa at any time beginning 18 months prior to final maturity.

On January 28, 2015, Petrolera Pampa's board of directors approved the terms and conditions of series 4 and 5 bonds under the Petrolera Pampa Corporate Bonds Program. On February 26, 2015, Petrolera Pampa issued (i) Ps. 51.0 million of series 4 bonds at an interest rate equal to (i) 27.48% for the first nine months, and (ii) thereafter, the Badlar rate plus 5%, and a maturity of 18 months, and (ii) U.S.\$18.5 million of series 5 bonds at an interest rate equal to 5% and a maturity of 21 months. Series 4 and 5 bonds may be redeemed by Petrolera Pampa at any time beginning three months prior to the maturity date.

On March 18, 2015, Petrolera Pampa's board of directors approved the terms and conditions of series 6 bonds under the Petrolera Pampa Corporate Bonds Program. On April 30, 2015, Petrolera Pampa issued Ps. 49.9 million of series 6 bonds at an interest rate equal to (i) 27.25% for the first nine months and (ii) thereafter, the Badlar rate plus 4.5%, and a maturity of 18 months. Series 6 bonds may be redeemed by Petrolera Pampa at any time beginning three months prior to the maturity date.

On November 6, 2015, Petrolera Pampa's board of directors approved the terms and conditions of the series 7 bonds under the Petrolera Pampa Corporate Bonds Program. On February 3, 2016, Petrolera Pampa issued Ps. 309.8 million of series 7 bonds at a variable interest rate equal to the Badlar rate plus 5%, and a maturity of 18 months. Series 7 bonds may be redeemed by Petrolera Pampa at any time beginning 45 days after the date of issuance.

All outstanding series under the Petrolera Pampa Corporate Bonds Program have common guarantees and an indebtedness covenant which restricts Petrolera Pampa from incurring new indebtedness unless Petrolera Pampa's net debt to Ebitda ratio is below 4.25.

Syndicated Loans

On July 27, 2015, Petrolera Pampa entered into a syndicated loan agreement for Ps. 765 million with a syndicate composed of Banco Hipotecario, BACS Banco de Crédito y Securitización, ICBC Argentina and Citibank Argentina. The main terms and conditions of such syndicated loan are as follows:

· Amortization: ten quarterly and consecutive installments, with a 15-month grace period from the date of disbursement. The first two installments will each be 5.25% of the principal, the third will be 7.5%, the fourth will be 11.5% plus the balance, of 11.75% of the principal; and

· Interest rate: Badcor plus 5.75% on an amount of Ps. 615 million, and a 30% fixed rate on an amount of Ps. 150 million, in both cases, payable quarterly.

Promissory notes were issued to each of the lenders in the proportion of their share in the borrowing to guarantee the outstanding principal and interest amounts under the loan.

The syndicated loan agreement contains customary covenants, which include, among others, limitations on the incurrence of debt, the incurrence of liens, asset sales, transactions with affiliates, engaging in certain businesses, and merger or consolidation and payment restrictions (including restrictions on our ability to pay dividends). As of the date of this annual report, Petrolera Pampa was in compliance with such covenants.

On March 28, 2016, the Company and the banks of the syndicated loan described above, entered into a waiver and prepayment agreement, pursuant to which Petrolera Pampa, prepaid Ps.465 million of said loan. As of the date of this annual report the outstanding principal amount due thereunder is Ps. 300million.

On March 3, 2016, the Company executed a loan agreement with Banco de Galicia y Buenos Aires S.A. The principal amount of the loan is Ps. 100 million. The loan accrues interest at a fixed rate of 32% and is payable on a monthly basis.

On March 30, 2016, the Company executed a loan agreement with Industrial and Commercial Bank of China (Argentina) S.A., pursuant to Communications “A” 5380, as amended by Communication “A” 5896 issued by the Central Bank. The principal amount of the loan is Ps. 300 million. The loan accrues interest for the first twelve months at a fixed rate of 33%, and for the last twenty-four months, at Badlar plus 5.75%. In both cases, interest will be payable on a quarterly basis.

Holding and Others

The Company

On October 6, 2011, TGS granted a loan for the amount of U.S.\$ 26 million (Ps. 109.4 million) to the Company for an initial one-year period (automatically renewable for one year upon expiration) that accrues interest at a 6.8% annual rate plus VAT. On October 6, 2012, such loan was renewed for an amount of U.S.\$ 26 million plus the interest accrued during the first one-year term under the originally agreed conditions, which do not differ from current market conditions for this type of transaction. Also, on April 26, 2013, the maturity of the loan was extended until October 6, 2014 with an automatic renewal of one year and included the possibility of payment at maturity or in advance through the full and unconditional assignment to TGS of all the Company’s rights and obligations under the ICSID Claim in case, on or before the maturity date: (a) TGS has received a 20% increase on its tariff chart and that increase remains effective pursuant to the Transitory Agreement approved by Order No. 1918/2009 of the National Executive Branch, or (b) the following has been granted to TGS and remains effective: (x) the tariff adjustment set forth in an agreement initialized by TGS and approved by its Board of Directors on October 5, 2011, or (y) any other compensatory system implemented through any tariff review system or mechanism hereinafter replacing those currently in force under Economic Emergency Law No. 25,561 of the Republic of Argentina and having an equivalent economic effect on TGS. On January 12, 2015, the parties agreed to suspend the arbitration proceeding for six months as from that date.

On, October 6, 2015, pursuant to the occurrence of certain events relating to an increase in TGS’s tariff described above, that was a condition under a loan granted from TGS to the Company for U.S.\$ 26 million, the Company assigned to TGS, all its rights and obligations under the ICSID Claim to cancel the amounts owed under the loan.

Contractual Obligations

In the tables below, we set forth certain contractual obligations as of December 31, 2015 and the period in which the contractual obligations come due. Peso amounts have been translated from Dollar amounts at the seller rate for Dollars quoted by Banco Nación on December 31, 2015 of Ps. 13.04 to U. S\$. 1.00.

	Payments due by period					Until
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years	
<i>Payments Obligations</i>						
Debt obligations and commercial debt obligations ⁽¹⁾	10,753,7	2,203,6	2,220,1	3,794,6	2,535,4	
Capital Expenditures ⁽²⁾	4,246,8	3,311,1	476,3	149,3	310,2	
Royalty payments ⁽³⁾	391,5	25,1	52,3	52,4	261,7	
Operating leases ⁽⁴⁾	78,3	47,9	30,1	0,3	-	
	<u>15,470,3</u>	<u>5,587,7</u>	<u>2,778,8</u>	<u>3,996,5</u>	<u>3,107,3</u>	
<i>Purchase Obligations</i>						
Natural gas purchase agreements for electricity generation ⁽⁵⁾	1,393,2	1,393,2	-	-	-	2016
Natural gas transportation agreement ⁽⁶⁾	99,0	4,0	7,9	7,9	79,2	2046
	<u>1,492,2</u>	<u>1,397,1</u>	<u>7,9</u>	<u>7,9</u>	<u>79,2</u>	
<i>Other</i>						
Accrued fines and penalties ⁽⁷⁾	1,066,8	62,7	1,004,1	-	-	
Total	<u>18,029,3</u>	<u>7,047,5</u>	<u>3,790,9</u>	<u>4,004,5</u>	<u>3,186,5</u>	

- (1) Includes amortization of principal and accrued and future interest payments. See "Item 5. - Debt" for a broader description of our financial debt.
- (2) Includes executed contractual obligations relating to our generation business. Edenor's concessions do not require them to make any specified amount of capital expenditures, but Edenor's concession requires Edenor to meet certain quality and other service standards.
- (3) Based on estimated payments included in our annual budget; royalty payments beyond 2017 are calculated based on average hydraulicity.
- (4) Represents our minimum required lease payments.
- (5) Based on the estimated average price of Ps. 1739.72 per Dam3.
- (6) Based on the estimated average price of Ps. 16.65 per Dam3.
- (7) See "Our Distribution Business - Empresa Distribuidora y Comercializadora Norte (Edenor) - Fines and penalties."

	Payments due by period				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
<i>Sales Obligations</i>					
Electric Power ⁽¹⁾	2,508,9	1,960,1	548,7	-	-
Total	<u>2,508,9</u>	<u>1,960,1</u>	<u>548,7</u>	<u>-</u>	<u>-</u>

- (1) Prices are generally determined by formulas based on future market prices. Estimated prices used to calculate the monetary equivalent of these sales obligations for purposes of the table are based on current market prices as of December 31, 2015 and may not reflect actual future prices of these commodities. Accordingly, the Peso amounts provided in this table with respect to these obligations are provided for illustrative purpose only.

(2) **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements of the type that we are required to disclose under Item 5.E. of Form 20-F.

Item 15. Controls and Procedures

(a) Background

The Company issued its audited annual consolidated financial statements under IFRS as of December 31, 2015 and 2014 and for the three years in the period ended December 31, 2015 on March 9, 2016 and filed those consolidated financial statements with the Commission on May 2, 2016.

Following of discussions with the Staff regarding their comments related to the presentation in the statement of cash flows of the financial assistance received from the Argentine Government through the loans for investments and salaries, management restated its financial statements for the years ended on December 31, 2015 and 2014.

(b) Disclosure Controls and Procedures

We have 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 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as of December 31, 2015.

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 our evaluation, we, with the participation of our chief executive officer and chief financial officer, concluded on April 29, 2016 that as of December 31, 2015, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us 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.

However, due to the abovementioned restatement of the Financial Statement our chief executive officer and chief financial officer have subsequently revised that assessment and concluded that, as a result of the material weakness referred to below, our disclosure controls and procedures were not effective as of December 31, 2015.

(c) Management's Annual Report on Internal Control over Financial Reporting (As Restated)

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 generally accepted accounting principles. 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 our 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, 2015. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013).

Our management did not maintain effective controls over the Company's presentation for non-routine, ad-hoc and complex agreements between the Company and the Argentine Government. Specifically, controls over the interpretation of the accounting standards related to presentation of transactions in the statement of cash flows did not operate effectively as of December 31, 2015 which, as a result, impacted the classification between operating and financing cash flows and the disclosure of non-cash items related to the transaction. This control deficiency resulted in the restatement of the Company's consolidated financial statements for the years ended on December 31, 2015 and 2014. Accordingly, our management has determined that this control deficiency constitutes a material weakness.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. Accordingly, if not remediated, this deficiency could result in misstatements in the classification in the statement of cash flows that could, in turn, result in material misstatements of the Company's consolidated financial statements that would not be timely prevented or detected.

Because of this material weakness, management concluded that the Company did not maintain effective internal control over financial reporting as of December 31, 2015, based on criteria in Internal Control—Integrated Framework issued by the COSO.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2015 has been audited by Price Waterhouse & Co. S.R.L., an independent registered public accounting firm, as stated in their report which appears herein.

(d) Remediation Plan

The Company will streamline and reinforce its current procedures for the compilation, analysis and interpretation of the accounting standards to appropriately present non-routine, ad-hoc and/or complex agreements in the statement of cash flows. In addition, the Company will provide additional training to personnel to better perform this analysis. Management believes that the foregoing efforts will effectively remediate the material weakness.

(e) 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-3 of this annual report.

(f) Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting during 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 18. Financial Statements

Our Restated Consolidated Financial Statements are included in this annual report beginning on page F-1.

Item 19. Exhibits

Documents filed as exhibits to this Amendment No. 1 to our annual report:

12.1 Certification of Ricardo Alejandro Torres Co-Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

12.2 Certification of Gustavo Mariani, Co-Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

13.1 Certification of Co-Chief Executive Officers and Chief Financial Officer 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/A and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Pampa Energía S.A.

By: /s/ Ricardo Alejandro Torres

Name: Ricardo Alejandro Torres

Title: Co-Chief Executive Officer

By: /s/ Gustavo Mariani

Name: Gustavo Mariani

Title: Co-Chief Executive Officer

Date: July 26, 2016