CFA Institute Research Challenge

Hosted in

CFA Society Argentina & Uruguay

Industrial Sector, Utilities Industry
New York Stock Exchange (NYSE)

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Edenor

Date: 10/11/2015

Current Price: USD 18.49

Recommendation: BUY (31% Upside)

Ticker: NYSE:EDN

Target Price: USD 24.2

It is during our darkest moments that we must focus to see the light ≈Aristotle Onassis

RECOMMENDATION AND SUMMARY

We issue a **BUY** recommendation on Empresa Distribuidora y Comercializadora Norte S.A. (EDN) with a one-year target price of USD 24.2 (see multiples valuation Fig. IN2 & IN3). This offers a 31% upside from its closing price of USD 18.49 as of November 10, 2015. We base our recommendation on the ability of EDN to capitalize a potential upside due to presidential elections running on November 2015 that implies a positive (for the company) change in current political and economic outlooks.

For a base case scenario in which the tariff structure is not updated we estimated a price of USD 8.8 (Fig. IN2). This in turns means that at the price of the ADR at 18.49, it has gained a 63% of the potential upside, revealing that the market is expecting a normalization in the electric distribution business.

Market Profile	
Closing Price (USD)	18.49
52-Week Price Range (USD)	8.66 - 20.50
Average Daily Volume	51019
Shares outstanding	442.21 M
Market Cap	600.38 M
P/E	11.69
Beta	2.49
EPS	1.56
P/B	4.89
EV/EBITDA :	5.40

Source: Thomson Reuters ***Figure IN 1***

Highly Defensive Business

EDN's core business is highly defensive for three reasons:

1. Electricity is a basic necessity.
2. It is a virtual monopoly in its franchise area, which is engaged in electricity distribution in Argentina. The Company holds a concession to distribute electricity to the northwestern area of the greater Buenos Aires metropolitan area and in the northern half of Buenos Aires, which represents Argentina´s richest area in per capita GDP.
3. It's part of a portfolio of companies owned by Pampa Energía Holding which is the principal group in the electric sector in Argentina. This gives the perspective that EDN is not a single company isolated of the rest. Instead, EDN is part of the largest Argentinean energy conglomerate and a crucial piece in the electrical value chain.

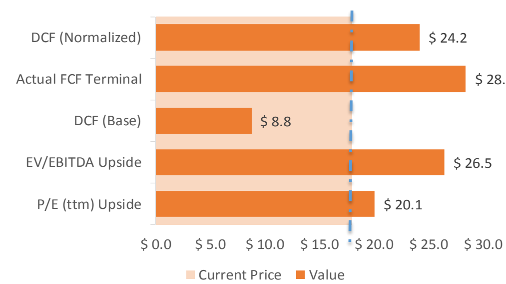


Figure IN 2

Buying a Call on Argentina`s Risk

Though utilities can financially be seen as bonds equivalents, Edenor's highly regulated business industry with no clear regulation resolution in the past years led us to the conclusion that Edenor can't be analyzed as a regular utility company that provides the investor with predictability, certainty and stability in their futures cash flows. Based on our analysis we consider that acquiring Edenor stocks is buying a "call on Argentine political risk" (see correlation in Fig. IN4). There is a potential upside of 31%, but linked to a large number of risky factors, which may affect dramatically the results obtained by the company in the future. The country's economic growth, monetary policies and policies in relation to the Argentinean electrical matrix will be vital to analyze the potential in the future path Edenor will take.

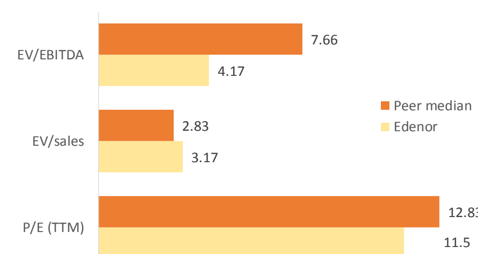


Figure IN 3

Not an investment for everyone

Given the high volatility of EDNs stock price and being a bet on Argentine risk, Edenor represents an asset for certain aggressive investors who are willing to take the risk. For more conservative investors we recommend buying Edenor bonds, which mature 2017 and 2022 and offer 11.4% yields and may first react to a change in regulation. Such yields obtained from fixed income assets, taking into consideration current world scenario of low rates represents an excellent opportunity of investing in the company without taking all EDN inherent risk.

Key Metrics	2012	2013	2014	2015F	2016F	2017F	2018F	2019F	2020F
Cash ratio	0.03	0.07	0.04	0.04	0.23	0.45	0.50	0.56	0.62
Operating profit Margin	-28%	38%	-7%	10%	13%	15%	16%	18%	19%
Long-term debt to assets	0.19	0.18	0.18	0.19	0.14	0.19	0.26	0.28	0.29
Interest coverage	-2.67	2.67	0.43	-11.62	-8.58	-6.72	-6.49	-7.12	-6.49
Earnings per share	-22.8	0.96	-0.86	0.97	1.68	2.39	2.89	3.76	4.36
Return on equity	-126%	55%	-100%	52%	47%	40%	33%	30%	26%

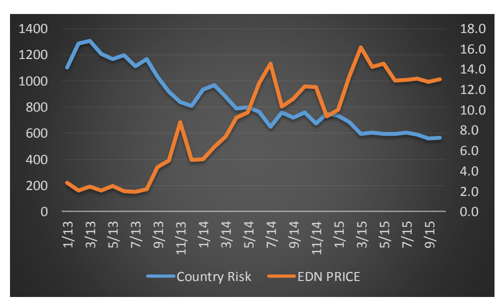


Figure IN 4

BUSINESS DESCRIPTION

Empresa Distribuidora y Comercializadora Norte S.A. (Edenor) is the largest electricity distribution company in Argentina (and one of the biggest in South America) in terms of number of customers and electricity sold, accounting for approximately 20% of energy sales in the country. Edenor was founded as part of the privatization of the Argentine state-owned electricity utility, Servicios Eléctricos del Gran Buenos Aires S.A. (SEGBA), under a program of extensive privatization of state-owned companies.

It has been granted with a concession starting in 1992 to exclusively distribute electricity for 95 years, in the northwestern zone of the greater Buenos Aires metropolitan area and the northern part of the city of Buenos Aires (Fig. BD1). The concession began with 1 period of 15 years and remaining 8 periods of 10 years each, subject to ENRE's (Argentine Electricity Agency) approval of terms at the end of each period. The franchised area is of 4637 km^2 and attends a population of 7MM, approximately 16.7% of Argentinean population. (Fig. BD2)

All the company's operations and customers are based in Argentina. There is a high exposure to macroeconomic, regulatory, political and financial conditions prevailing in Argentina, including growth, inflation rates and currency exchange rates.

Customers can be classified in residential, small/medium commercial, industrial, wheeling system and others (public lighting and shantytown customers). Majority of company's energy sales come from the residential segment (≈43%) while the rest is divided between commercial, industrial and wheeling system in similar proportion, with a small participation of Others (5%). (Fig. BD3)

On average, 98.5% of EDN's total revenues are derived from sale of electricity. 78.1% comprise pass through revenues and 20.4% are distribution-wheeling revenues.

Customers billing is based on their category of service. Residential and small commercial customers are billed bi-monthly a fixed charge payable and a variable charge based on each unit of energy consumed. Medium commercial customers are billed a fixed charge based on a fixed amount of capacity and a variable charge based on each unit of energy consumed. Industrial customers are billed two monthly fixed charges based on capacity during peak hours and non-peak hours and three variable charges for each unit of energy consumed, varying based on the timeframe of consumption. Taxes are also being billed to customers as an additional item. Fixed and variable charges cover the cost of electric power purchases and the regulated distribution margin (known as VAD: value added for distribution). The average tariff for 2014, other than customers in wheeling system, was ARS 211 (≈ USD 15.29) (Fig. BD4)

The company acts in a highly regulated environment, which has been affected with additional requirements after Argentina's 2001-2002 economic crisis, such as altering the concession's terms, renegotiating tariffs, freezing investments and distribution margins and revoking price adjustment mechanisms.

As of the date of the report, Edenor has requested fourteen additional increases under the Cost Monitoring Mechanism (CMM) since May 2008, all of which have been recognized by ENRE but have not yet been incorporated into the tariff structure. Edenor current situation is highly dependent on the entry into force of the new tariff structure to be adopted under the Integral Tariff Revision (Revisión Tarifaria Integral - "RTI") process, also subject to the ENRE's approval. The company is mainly focused on the approval of the RTI to regularize the main source of income and be able to meet all mandatory investments and quality service targets set by ENRE.

The company believes that the resolution issued on March 2015 (32/15) by ENRE provided a greater degree of certainty with respect to the prospect financial conditions and it is a reasonable basis for the beginning of the RTI (estimate revenue of the RTI in Fig. BD6). Additionally it has granted a temporary increase in income through additional funding from CAMMESA (Management Company of Wholesale Electricity Market, see Fig. IO5) in advance of the future RTI. The company was also allowed to retain funds that was required to collect and transfer to a public fund: PUREE (Program for the Rational Use of Electricity Power).

Figure BD 1

Edenor in numbers	
Population	7 MM
Area	4637 sq. km.
Energy sold	21312 GWh
Energy purchased	24860 GWh
Net Sales	Ars 3598 MM
Net Profit	779 MM

Figure BD 2

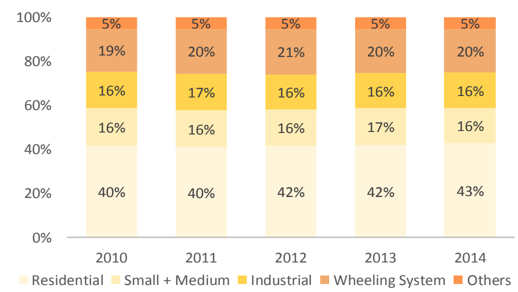


Figure BD 3

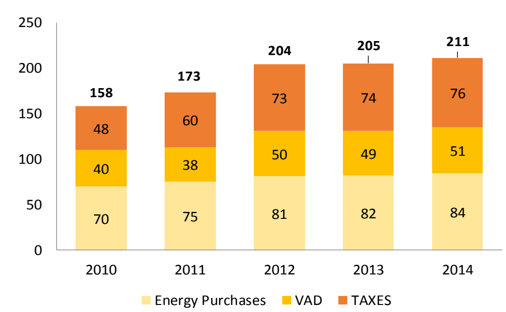


Figure BD 4

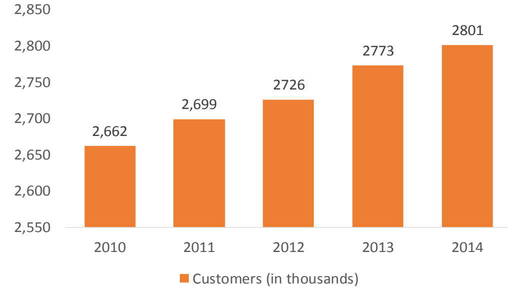


Figure BD 5

The company is obligated to supply electricity upon request by the owner or occupant of any premises in the concession area. Edenor is entitled to charge for the electricity supplied at rates that are established, with the prior approval of the ENRE. The geographic exclusivity may be terminated in whole or in part by the government if technological changes make it possible for the energy distribution industry to evolve from its present condition as a natural monopoly into a competitive business.

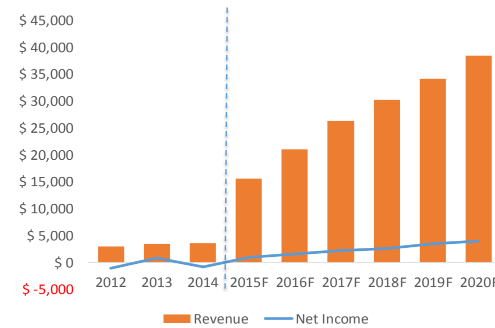


Figure BD 6

Edenor invests nowadays in the face of tariff renegotiation to maintain energy losses at an optimal level, taking into account the cost of reducing such losses and the level at which they are reimbursed for the cost of these losses under the concession. Energy losses are equivalent to the difference between energy purchased and energy sold, and may be classified as technical and non-technical losses. Technical losses represent the energy that is lost during transmission and distribution within the network. The nontechnical energy losses represent the remainder of energy losses mainly due to the illegal use of the services. Energy losses require purchasing additional energy to satisfy apparent demand, thereby increasing costs. Edenor is unable to recover from customers the cost of electricity purchased beyond the average loss factor set at 10% pursuant the concession. As of Dec-2014, total energy losses recorded were 14.3%, out of which technical losses represented 10.8% and non-technical 3.5%. (Fig. BD7)

Figure BD 7

Shareholder structure

As of November 2015 Pampa Energia SA, through EASA (Energia Argentina S.A.) has a controlling stake owning 51% of Edenor common shares. Pension and retirement funds have been modified into a publicly administered system, managed by ANSES, and absorbed 26.8% of Edenor shares (Fig. BD8). The remaining 22.8% floats (78% in Buenos Aires Stock exchange and 12% in NYSE through ADRs).

INDUSTRY OVERVIEW AND COMPETITIVE POSITIONING

Argentina General Macroeconomic Outlook

Slowness in GDP growth

According to IMF estimations for 2015, it is expected to see a deceleration in the growth in emerging markets and a gradual pickup in advanced economies. For Argentina, the GDP growth has been estimated in 1.1% for 2015 and 1.8% for 2016 (Fig. IO1). The local decrease in the growth rate mainly responds to a reduction of commodities prices worldwide jointly with an imbalance of the Balance of Payments. High inflation from last years, which is expected to be 25% for 2015 and to start decreasing slowly in the coming years, is also weighing down Argentina economy.

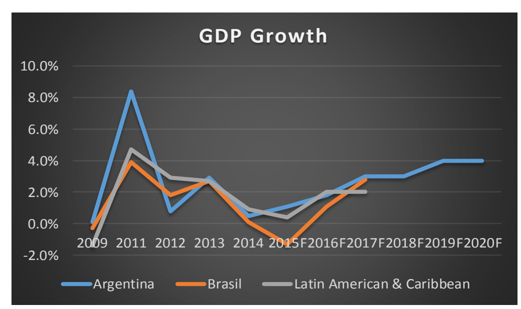


Figure IO 1

Industrial sector expected to increase

It is worth mentioning that as for December 2015, a new president will be elected in Argentina. Based on the latest surveys, the winner belongs to the opposite party than the current president, who has a closer position to financial markets. Moreover, regardless who is elected president, based on market and proprietary estimations, it is expected that Argentina will improve the relationship with international financial markets and arrive to a potential agreement with holdouts (remaining pre default sovereign debt not yet renegotiated), which implies better credit rating and growth rate, and more foreign investments.

Household final consumption expenditure expected to reactivate

Household final consumption expenditure (HFCE) grew during the last 4 years 4.5% in average, according to The World Bank. This was spurred by an increasing marginal propensity to consume. HFCE is expected to decelerate during 2015 but start going up for 2016 and coming years.

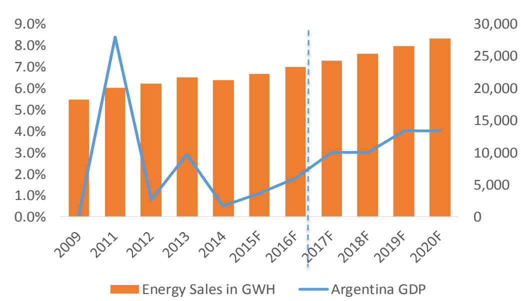


Figure IO 2

Fiscal deficit to be reduced

Argentina is on track to close 2015 with the highest fiscal deficit in years. The latest Figures show a disturbing trend for public finances, as public expenditures grow at 40 % per year while the public income does at 31%. Should this gap remain, the primary deficit (before interest payments) shall exceed 4% of GDP, while the financial deficit would climb to over 6 % of GDP. The future government would have trouble to continue providing electric subsidies to the richest area of the country.

Argentina Power Sector

Argentina Distribution Sector

Electricity distribution in Argentina is highly regulated, where the right to distribute electricity in a particular geographic area is granted through a concession from the government. The ultimate decision to grant a concession or renew an existing one rests with the Secretariat of Energy.

Edenor is one of the 46 distribution companies associated to ADEERA (Association of electric energy distributors of Republica de Argentina), whose members operate 97% of the electric energy.

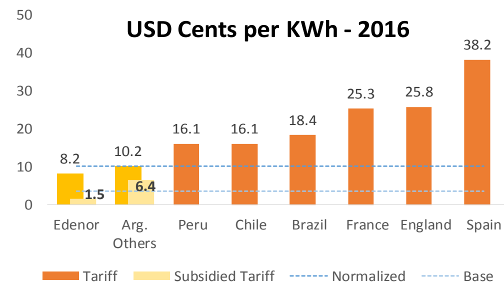


Figure IO 3

Power Supply companies Income Gap

Due to current tariff structure for all electric energy sector, which has not been modified to reflect increasing costs on companies operations and considering that subsidies to energy sector represent a historic maximum of ≈4% of the GDP (according to official budget); it is highly probable that the next government will have to reduce subsidies and start implementing the RTI (Integral Tariff Review) which will grant all companies in electric sector an increment in their incomes.

Even though subsidies most likely will be reduced, there is still place to increase the amount charged to the customers: currently 65% of Edenor customers pay a bimonthly invoice of 60 ARS (≈6.3 USD) (Fig. IO3). Increasing by 4 times the actual value to be paid will still be lower than average tariff in the region. For the normalized case we estimated the 2016 tariff to be adjusted to a close value of the other argentine distributors (Fig. IO3). For 2017 we expect an international normalization. The volume consumption in Argentina is close to the world's average (Fig. IO4). Prospect investors should bear in mind that the company is charging the lower tariff rate of the country in the richest area of the country with subsidies in a scenario of fiscal deficit.

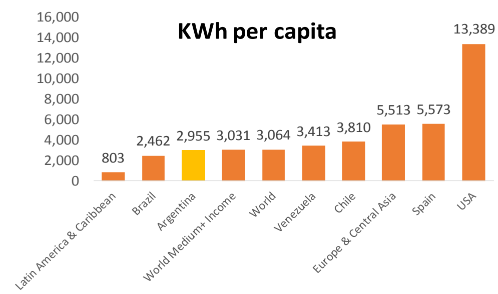


Figure IO 4

Energy demand

The demand for electricity varies depending on economic and political conditions prevailing, as businesses and individuals consume more energy and are better able to pay during periods of economic stability or growth. But also demand is affected by seasonal factors.

During last 20 years, Edenor's demand out of Argentina total demand was stable rounding 20% (Fig. IO4). Also the demand has grown an average of 4% per annum. Seasonality has a significant impact on the demand for electricity in the concession area, with electricity consumption peaks in summer and winter. The impact of seasonal changes in demand is registered primarily in residential and small commercial customer categories.

Wholesale Electricity Market (WEM) – Key players.

Among the different participants in the Wholesale Electricity Market (WEM), they can be classified in Generators, Transmitters and Distributors. The operation of the WEM is administered by CAMMESA (Fig. IO5). Generators are companies operating power generation plants that sell their output in the WEM. Transmitters do not engage in purchases or sales of power, they only focus interconnection system. Distributors supply electricity to consumers and operate the related distribution network in a specified geographic area pursuant to a concession. Each concession establishes, among other things, the concession area, the quality of service required, the tariffs paid by consumers for the distribution service and an obligation to satisfy demand.

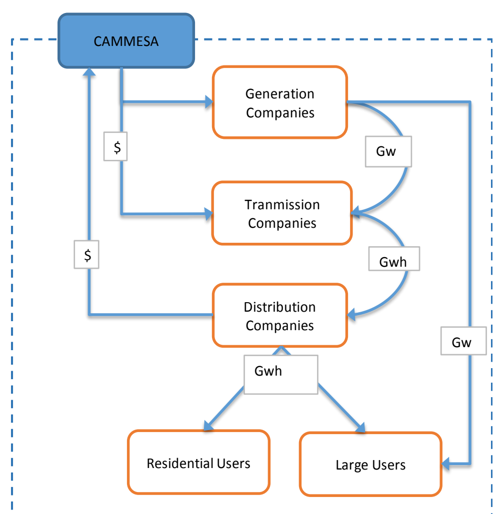


Figure IO 5

Competitive positioning

Favorable position

As of 2015, there are 75 distribution companies in the country, being Edenor the biggest one in terms of customers and energy sold, followed Edesur in second place. As granted by the concession, Edenor has the exclusive right to operate and maintain an electric distribution system in the northwestern zone of the greater Buenos Aires metropolitan area and the northern part of the city of Buenos Aires. Effectively, Edenor operates as a natural monopoly due to current technology limitations to distribute energy, operating under tight government regulations. However the customers and suppliers bargain power is limited. Edenor is the sole buyer of electricity in the area and unique provider (Fig. IO6).

Combining regulations and technology limitations, the result is a business with very high barriers to entry.

There are no direct competitors for Edenor, but for the analysis and benchmarking we considered companies in similar range of business. The best option would be to use Argentinean local companies as Edesur and Edelap, but as they are not public companies, we selected Western Energy, El Paso Electric, Enersis, AES Eletropaulo, National grid, DTE Energy and Pampa Energia.

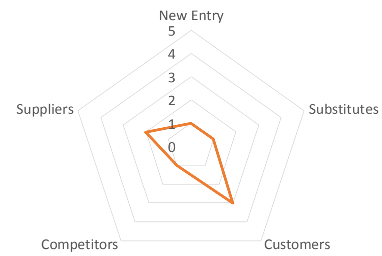


Figure IO 6

INVESTMENT SUMMARY

We issue a **BUY** recommendation on Empresa Distribuidora y Comercializadora Norte's ADR (EDN) with a target price of USD 24.2, calculated using the Discounted Free Cash Flow to Firm method and validated by multiples of comparable firms (Fig. IS1). This offers a 31% upside from its closing price of USD 18.49 on November 10, 2015.

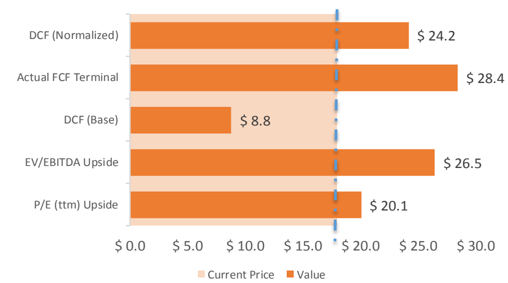


Figure IS 1

Even though PAM (Pampa Energia – controlling company of Edenor) and EDN have been the two Argentine ADRs with best performance during 2015, we still believe there is place for an upside.

We base our recommendation mainly on the following reasons: we consider the investment as a call option with a significant remaining upside value; we understand the worst political scenario for the company is beginning to slowly fade out with the need of a long term agreement; and we reckon that the investment at this stage shall be targeted for aggressive investors.

EDN's core distribution business is highly defensive for three reasons: (1) Electricity is a basic necessity; (2) EDN is a virtual monopoly in its franchise area. The Company holds a concession to distribute electricity to the northwestern part of the greater Buenos Aires metropolitan area and in the northern part of Buenos Aires, which represents Argentina ´s richest area with now the lower electricity tariff rates; (3) Edenor is part of a portfolio of companies dominated by Pampa Energia holding. This gives the perspective that EDN is not an isolated company of the rest but part of the largest energy conglomerate in Argentina and a crucial piece in the electric value chain of the country. As the Integral Tariff Revision (RTI) is not yet completed, Edenor is still running under the initial concession, which can be extend for an additional 5-year period since the entry into force of the RTI.

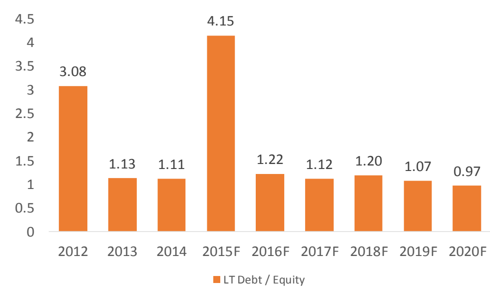


Figure IS 2

As a Distribution utility (even though we do not believe it is one because there isn't a price adjustment mechanism in place), EDN is subject to heavy regulation by the ENRE and Energy secretary, who determines the tariff structure and VAD schema.

Investors Should Expect Significant Price Volatility Going Forward

Argentine ADRs have capitalized on average 30% during 2015, but showing considerable volatility. Given the current restrictions to access to foreign exchange market, ADRs have been used by investors as an instrument to have access to foreign currency (labeled "tipo de cambio contado con liquidación").

Furthermore, we expect this volatility to continue at least until the election process is completed in Argentina by December 2015; and the new government comes to an agreement with the holdouts regarding the argentine restructured debt.

With respect to volatility affecting the Company in particular, there is a significant level of uncertainty related to new tariff structure but the current fiscal deficit puts pressure on the removal of subsidies and their replacement by tariff adjustments.

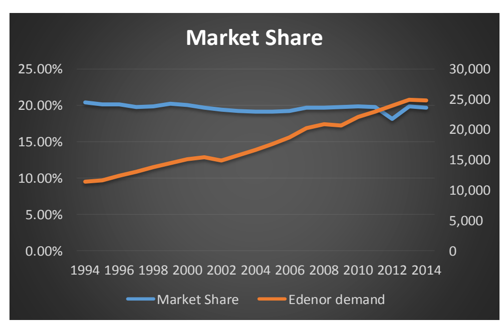


Figure IS 3

Market leadership

Edenor is the largest distribution company in Argentina, representing 20% of total electric energy sold (Fig. IS3). EDN might be able to capitalize on the potential agreement of the RTI with the new government jointly with its leading position in the country.

Risky Operating Cash Flows

The Company presented a negative net result in the 2014 fiscal year mainly due to increasing cost and without an update in the tariff charged. Regardless that electricity volume has been consistently increasing over the past years (Fig. IS4), if current tariff structure remains without changes EDN will not be able to generate operating cash flow. EDN ability to generate cash flows relays on the RTI process that is in progress with no confirmed date for completeness.

Valuation Methods

We derived our base and normalized prices by using the Discounted Free Cash Flow to Firm method validated by multiples of comparable firms.

Drivers of Volatility in Earnings

Our research identifies the value added for distribution (VAD) and energy sales to be the main drivers of volatility in EDN's income. As the company is looking forward for the RTI, there is uncertainty regarding VAD for the coming years. However, resolution 32/15 provided a greater degree of certainty respect to the financial conditions, at least during year 2015.

On the other hand, energy sales are driven by the various components of GDP, affected by regulatory, political and financial conditions prevailing in Argentina, including growth, inflation and currency exchange rates.

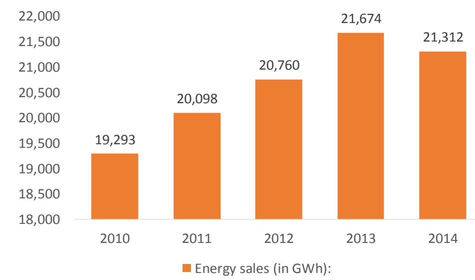


Figure IS 4

Possible Investment Risks

Key risks investors must be aware of include Regulatory Risk such as stringent restrictions in rate setting, which are actually in place but there is high expectation that the tariff will start normalizing. Also it is worth mention potential failure to meet performance targets, conducing to a non-renewal of EDN's concession. A detailed discussion of the risks, mitigation factors and their impacts on value are discussed in the Investment Risk section.

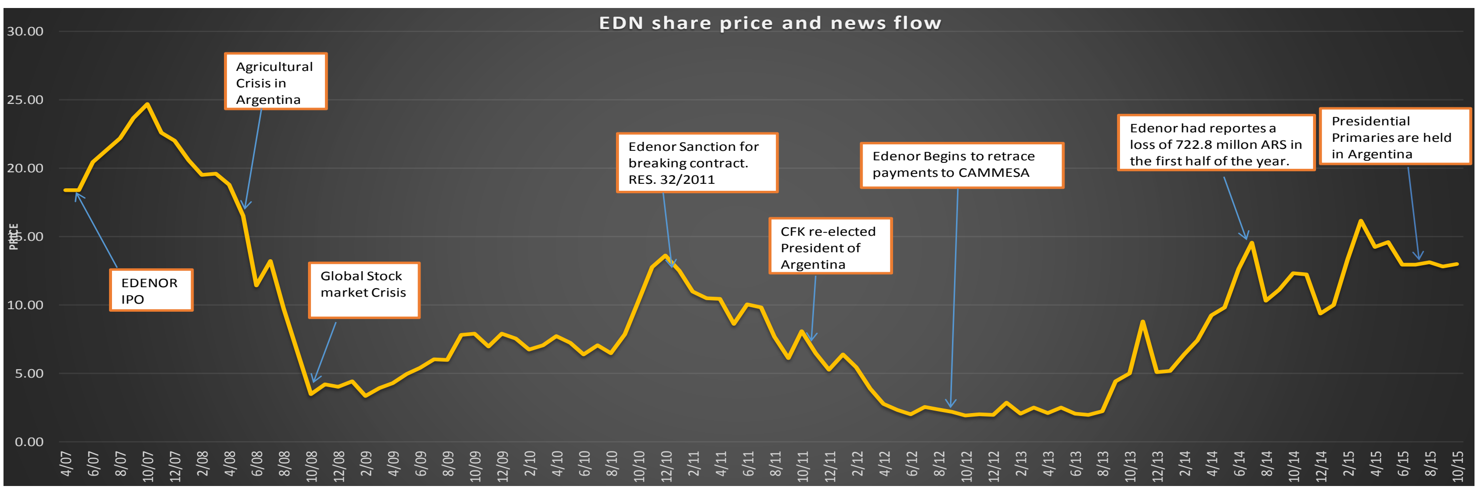


Figure IS 5

VALUATION

Edenor core business is electricity distribution and in that sense it should be considered as a utility company, which are characterized by requiring significant infrastructure and carrying large amount of debt. Generally in practice utilities companies can be compared with bonds, as the cash flow generated is predictable and stable. However, in this case the investment resembles a call option (on Argentine risk) with an upside potential value as RTI process is likely to conclude

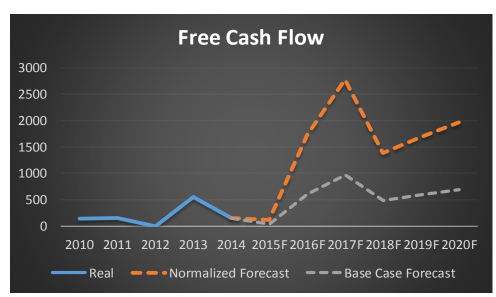


Figure VL 1

We used the Discounted Free Cash Flow to Firm (DCF) method to calculate a value per ADR of Edenor at USD 24.2 (Fig. VL1) regarding Edenor as a cash generation asset. This method involves estimating the firm's present value of future free cash flows to the firm and adjusting it for net debt to arrive at equity value. We then compared the value thus obtained with multiples from comparable firms. We disregard dividend models given that the company must first fulfill investment needs and debt payments and later be able to distribute dividends, with no certain or stable path to forecast. Though we see the investment as a call option, lack of complete market assumptions and the existence of uncertain and dichotomic parameters convinced us to discard the option´s formulae.

In the construction we have forecasted two scenarios, one exhibiting the current situation of regulation, and a prospect under the assumption of a normalization.

DCF Valuation

We used a two-stage DCF to Firm method, by projecting drivers, incorporating a terminal growth value and discounting it at appropriate rates for two extreme scenarios:

<u>Base scenario:</u> All the key variables related to tariff structure and costs remain as of 2014.

<u>Normalized scenario:</u> Represent the maximum upside with the assumption that the increases under the Cost Monitoring Mechanism (CMM) are incorporated in the tariff structure and the RTI process is conducted.

It should be said that any long term renegotiation of tariff shall include and be validated by an appropriate rate of return on computable assets, though we have not found in the balance sheet data a certain measure of the amount of computable assets.

The value per share obtained in our base scenario is USD 8.8 while the value obtained in the normalized one is USD 24.2. For both Base and Normalized scenario we use a two-stage growth model. The first phase includes a detailed year-to-year forecast up to 2020, while we assumed a constant growth rate of 4% for the terminal phase.

Volume (Energy Sales): Our statistical analysis indicates that there is a significant relation between the evolution of GDP and the evolution of sales. Volume sales growth was forecasted per customer segment as described in the business review (Residential, Small and Mid-Industries, Large users). Based on our forecast, total energy sales are expected to grow by 4.5% compounded annually from 2016 to 2020. The two main factors that account for the expansion of volume sold are:

Organic Growth: It is determined by population growth and averages a 1.3% annual rate.

Average GWh consumption: The average consumption per connection is relatively low compared with peer countries and it's likely to stay at current levels regardless of a normalization on the tariff as a consequence of the RTI.

Price: By reaching every year to an average sale price per GWh and an estimated amount of energy sold, we were able to estimate the Revenue from electric operations. For the price of the energy sold we took as reference Edenor's tariff structure of year 2000 (we consider this a "normal year of business") and also distribution companies that operate in Argentina countryside.

Working capital projection: We determined the days cycle using the average of the last three exercises outstanding and a normalized industry average. Resulting in days of inventory (6), days sales outstanding (60) and days payable outstanding (250) in order to project Inventories, Account Receivables and Accounts Payable**.**

EBIT projection: In order to arrive to EBIT (from which we estimated Free Cash Flow to Firm) we projected operating costs by analyzing its average relationship with the sales during the last three exercises.

Capital Expenditures: Capital expenditures (CAPEX) in the forecast period will be driven by the need to meet energy demand growth and maintain energy losses at an optimal level, taking into account the cost of reducing such losses. The CAPEX is mainly related to Expansion: investment needed to increase the productivity and increase the customer base. Edenor is expected to follow the approved and necessary CAPEX. We forecasted the CAPEX as a function of the expected increase in energy sales per year and a percentage of the net income per year.

Taxes: The taxes were calculated using the relevant national tax rates.

Free Cash Flow to Firm discount: Once we arrived to FCFF we converted in dollars and discounted it. For estimating the WACC in USD we derived the return on equity and of debt.

Terminal Growth Terminal Growth Rate is based on general average economic growth. The growth rate was determined in 4%.

WACC: For estimating the WACC in USD we derived the return on equity and of debt (Fig. VL3):

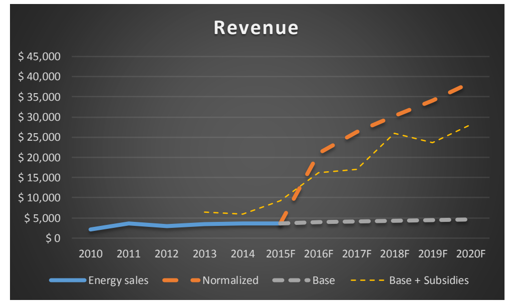


Figure VL 2

WACC	2016-2020	Terminal Value
Risk free rate	2.00%	5.00%
Beta	2.49	1.5
Risk Premium	6.00%	6.00%
Country Risk	4.99%	2.60%
Cost of Equity	21.93%	16.60%
Cost of Debt	11.40%	8.00%
Tax rate	35.00%	35.00%
Cost of Debt	7.41%	5.20%
Weight of Equity	48.0%	47.6%
Weight of Debt	52.0%	52.4%
WACC	**14.38%**	**10.63%**

Figure VL 3

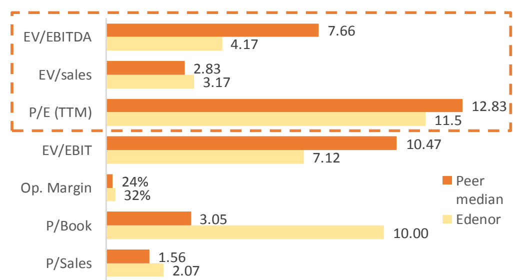


Figure VL 4

Company	P/Sales	P/Book	Op. Margin
Edenor	2.07	10.00	32%
Western energy	2.10	1.51	25%
El paso Electric	1.81	1.58	16%
Enersis	1.12	1.44	24%
Aes Eletropaulo	0.07	0.34	15%
National Grid	2.22	2.82	25%
DTE energy	1.30	1.62	15%
Pampa	1.81	5.12	38%
Peer median	**1.56**	**3.05**	**24%**

Figure VL 5

The cost of equity was calculated using CAPM. The risk free rate of 2% was based on the current rate of 10-year government bonds. Beta of 2.49 was taken from Reuters. The market risk premium of 6% is based on S&P500 average return. Applying CAPM to the above components resulted in a cost of equity of 21.93%.

The weighted average cost of debt of 11.4% is based on relevant interest yields of the Bonds maturing in 2017 (8%) and 2022 (92%). Debt to equity ratio was calculated on the expected results between 2016 and 2020 based on the market value-weighted target capital structure, the WACC is 14.38%.

For the terminal WACC we determined a target D/E ratio and used the historical cost of debt for the company assuming that in the long term the conditions in which the company operates are absolutely normalized.

Valuation Multiples

While the DCF method was the main valuation approach, we analyzed others prices relatives of comparable firms.

We identified the most appropriate comparison of Edenor as a Peer Median since most of the companies in electricity industry are engaged not only in the distribution business but also in the generation. We concluded that taking a peer media for multiples comparisons would be more representative.

We consider EV/EBITDA and EV/Sales to be the most representative ratios to understand current situation (Fig. VL4).

In the case of P/Book ratio it is important to highlight that in Argentina, Book values are not updated by inflation so this ratio could not reflect the company real situation.

Regarding P/E ratio as we could see in Price Multiples chart, this ratio is lower that the peer media. A Low P/E represent that the company in undervalued regarding its peers or that the company is improving their results regarding past seasons. We have to take into account that P/E ratio would be suitable if capital structure are similar between comparable companies.

EV/EBITDA is accurate for analyzing the value of an infrastructure-intensive business. By using this method, the effect of depreciation policies is removed. Also, this allows the comparison to focus on company value regardless of capital structure. The EV/EBITDA ratio of Edenor reveals that the company has been traded at a discount.

Breaking down EV/sales shows that if company sales increase after the RTI, the EV value should also increase, even if value achieved is the peer median. The classic EV/EBIDA ratio is much better capturing debt and net cash than the P/E ratio (Fig. VL5).

One further method of comparison was to forecast free cash flow for 2015 and consider it as perpetuity with constant growth. For this we assume that the 32/15 resolution will be replicated. Same rates for WACC and growth rate as in the DCF model were used (Fig. VL6)

Company	P/E (TTM)	EV/sales	EV/EBITDA
Edenor	11.50	3.17	4.17
Western energy	18.16	3.61	9.48
El paso Electric	18.35	3.27	9.34
Enersis	11.59	1.40	4.08
Aes Eletropaulo	3.34	2.25	7.40
National Grid	16.75	3.74	11.33
DTE energy	15.02	2.08	8.63
Pampa	7.89	3.10	3.38
Peer median	**12.83**	**2.83**	**7.66**

Figure VL 6

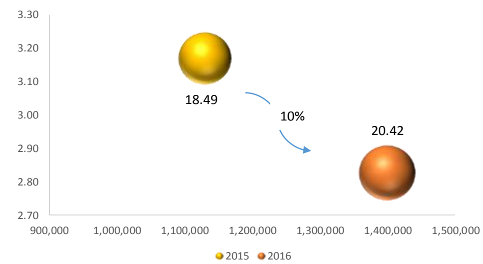


Figure VL 7

2015 Free Cash Flow - Perpetuity	
Expected Free Cash Flow	121.73913
Growth	4.0%
WACC (Terminal Value)	13.4%
Stock Value ($)	$ 1.4
ADR Stock Value (U$D)	**$ 28.45**

Figure VL 6

Financial Analysis	Normalized	
Revenue	*Integral Tariff Review (RTI). Gradual subsidies elimiation.*	↑
Electric cost	*Will be also reviewed.*	→
Labor cost	*Lower in real terms considering future devaluation.*	↑
Energetic Losses	*Tends to 10%. Higher Capex and Opex in infrastructure.*	↑
Current Ratio / Liquidity	*Improves the liquitity ratios.*	↑
Cash flow generation	*Certain and stable. Regular utility company cash flow.*	↑
Currency Mismatch	*Devaluation will impact on debt issued in USD*	→
Days Cycle	*Negative days cycle*	↑
Energy Sales	*Negative price elasticity (-0.23)*	↓
Regulatory enviroment	*Tight enviroment. CAPEX investments performed by the company.*	↑

FINANCIAL ANALYSIS

Increasing Electricity Volumes

For any of both scenarios we expect that the volume will increase by 4.5% average year on year. Residential segment will still represent almost ≈43% of sales.

Implicit Regulatory WACC

The rate that Edenor can charge is set by ENRE. In the case of an increment in the tariff it will be in a way that will not exceed a fixed return on computable equity agreed with the regulator. Consequently the company will need to regularize the Capex. Finally, the focus point of discussion between the company and the regulators are:

- Capex Allocation
- Computable Equity
- Return on Investment

As we mentioned in the previous section, any long term renegotiation of tariff shall include and be validated by an appropriate rate of return on computable assets. However, so far in the balance sheet data there is no such a certain measure of the amount of computable assets (properly adjusted by inflation to those effects).

Financial Analysis	Base	
Revenue	*No RTI. Revenue is uncertain and relies on alternative funding.*	↓
Electric cost	*Could be reviewed due to importations of Energy.*	→
Labor cost	*Lower in real terms considering future devalution.*	↑
Energetic Losses	*Remains with high values ~14%.*	↓
Current Ratio / Liquidity	*Low liquitidty*	↓
Cash flow generation	*Volatil Cash Flow. Higher risk on capital needs.*	↓
Currency Mismatch	*Devaluation will impact on debt issued in USD*	→
Days Cycle	*Negative days cycle*	→
Energy Sales	*No changes to average energy consumption*	↑
Regulatory enviroment	*"Bending the rules" by the regulator keeps on*	→

Normalized case forecasted financials

Profitability	2012	2013	2014	2015F	2016F	2017F	2018F	2019F	2020F
Ebitda Margin	-21.3%	-41.1%	-63.5%	-62.2%	11.7%	14.5%	16.4%	17.2%	19.1%
Operating profit Margin	-27.8%	38.2%	-7.0%	9.5%	12.7%	14.9%	15.7%	17.9%	18.7%
Net profit margin	-34.6%	25.2%	-21.7%	24.5%	9.8%	10.3%	10.0%	11.3%	11.6%
Return on assets	-15.0%	12.0%	-9.0%	7.7%	9.3%	9.4%	9.0%	9.3%	8.8%
Return on equity	-126.3%	55.1%	-99.6%	51.8%	47.2%	40.1%	32.7%	29.8%	25.7%
Liquidity	**2012**	**2013**	**2014**	**2015F**	**2016F**	**2017F**	**2018F**	**2019F**	**2020F**
Current ratio	0.59	0.57	0.38	0.50	0.71	0.95	1.00	1.06	1.12
Quick ratio	0.55	0.54	0.36	0.46	0.67	0.90	0.95	1.02	1.08
Cash ratio	0.03	0.07	0.04	0.04	0.23	0.45	0.50	0.56	0.62
Activity	**2012**	**2013**	**2014**	**2015F**	**2016F**	**2017F**	**2018F**	**2019F**	**2020F**
Cash convertion cycle	-35	-91	-233	-54	-54	-54	-54	-54	-54
Total asset turnover	0.42	0.48	0.45	1.36	1.28	1.14	1.04	0.94	0.86
Fixed asset turnover	0.85	-0.72	0.54	1.87	1.97	1.90	1.67	1.47	1.31
Financial Leverage	**2012**	**2013**	**2014**	**2015F**	**2016F**	**2017F**	**2018F**	**2019F**	**2020F**
Long-term debt to assets	0.19	0.18	0.18	0.19	0.14	0.19	0.26	0.28	0.29
Long-term debt to equity	3.08	1.13	1.11	4.15	1.22	1.12	1.20	1.07	0.97
Debt to equity	3.23	1.10	5.17	21.42	7.74	4.77	3.62	2.83	2.31
Interest coverage	-2.67	2.67	0.43	-11.62	-8.58	-6.72	-6.49	-7.12	-6.49
Shareholder ratios	**2012**	**2013**	**2014**	**2015F**	**2016F**	**2017F**	**2018F**	**2019F**	**2020F**
Earnings per share	-22.8	0.96	-0.86	0.97	1.68	2.39	2.89	3.76	4.36

INVESTMENT RISKS

We have anticipated in the previous sections that the investment comes with risk and is targeted to certain type of aggressive investors who wish to allocate some share of their portfolio.

Following we shall provide a detail of the main risks we foresee to provide a whole picture of the business opportunity and their significance analyzed in an appropriate matrix.

Macroeconomic risks

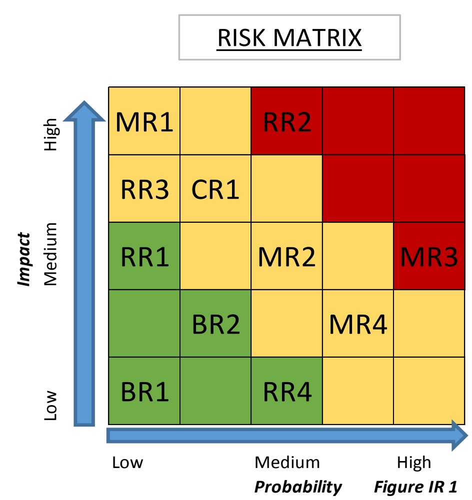


Figure IR 1

MR1 Higher country risk: Argentina´s ability to obtain financing from international markets is limited, which may impair its ability to implement reforms and foster economic growth. The evolution of Edenor´s stock price is highly correlated with evolution of the country risk index, which is subject to the evolution of macroeconomic variables in Argentina. Given the change in office at the government, we see a better horizon.

MR2 Rising inflation - pressure on Costs, Margins and tariffs: The inability of the Company to minimize the inflation impact on costs and expenses will translate into lower operating margins. A continuing high inflation environment could undermine the company results of operations as a result of a delay in the ability to adjust tariffs accordingly; it could adversely affect the ability to finance the working capital needs for businesses on favorable terms; and it could adversely affect the results of operations and cause the market value of the ADR to decline.

MR3 An interest rate rise in US: may cause capital outflows from emerging markets, putting down pressure on local currencies. On the other hand an increase of rates in United States also induce a decrease in international investments in the country, which leads to less investment in Argentine, including Edenor.

MR4 Exchange rate depreciation of the Argentine Peso: Edenor has a sensitive exposure as total debt is denominated in USD. However, as is income source and most of the expenses are in ARS, there is no additional exposure to a devaluation.

Regulation risks

RR1 Electricity Distribution Sector intervention: The Argentine government has intervened in the electricity sector in the past, and is likely to continue intervening. Electricity distributors were severely affected by the emergency measures adopted during the economic crisis, many of which remain in effect. Electricity demand may be affected by tariff increases, which could lead Edenor to record lower revenues. If Edenor experience continued energy shortages in the face of growing demand for electricity it could result in customer claims, economic penalties, government intervention and decreased results of operations.

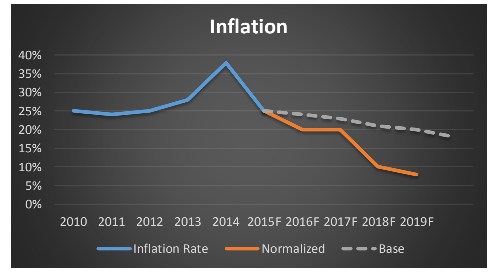


Figure IR 2

RR2 Tariff adjustments: Failure or delay to negotiate further improvements to tariff structure, including increases in the distribution margin, and/or to have the tariffs adjusted to reflect increases in the distribution costs in a timely manner has affected the company capacity to perform commercial obligations and could also have an adverse effect on the capacity to perform the company financial obligations.

RR3 Nationalization of basic needs company: A potential expropriation of a basic necessity or critical company's in Argentina is present, as it has happened with water distribution company (as AYSA and AGBA), YPF and Aerolineas Argentinas.

RR4 Capital market restrictions in Argentina: Restrictions on the movement of capital out of Argentina may impair the ability of holders of ADRs to receive dividends and distributions on, and the proceeds of any sale of. The ability of Edenor to pay dividends is limited. Under Argentine law, shareholder rights may be fewer or less well defined than in other jurisdictions.

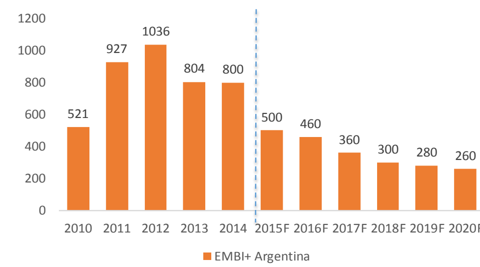


Figure IR 2

In all these risks, given the change in office at the government, we see a better horizon.

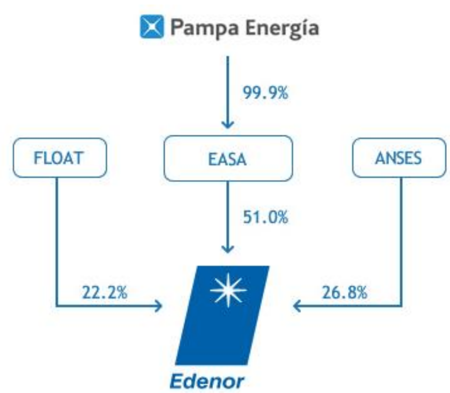
Business risks

BR1 Unfavorable Market Conditions results in Lower Energy demand:

Unfavorable macroeconomic conditions such us low GDP growth will result in lower energy volume. This low in Argentina`s GDP impacts directly to EDN final revenue and could generate instability in its financial strength. On the other hand, the team expects an average GDP growth of 3%.

BR2 Downtime caused by Fortuitous Events:

Natural calamities damage both the distribution and generation business by causing major service interruptions. Widespread damage could also mean significant increases in unplanned repairs expenses. The risk is mitigated by the fact that the area is not subject to earthquakes, and floods have been taken care with infrastructure.



Corporate governance risks

CR1 Pampa's holding interest may not be aligned with Edenor interest: The main shareholder with a controlling stake at Edenor is Pampa, the largest electricity holding in Argentina with business interests along the electric value chain. Given this situation, the company could face some conflict of interest when interacting with other companies within the Group. This risk is mitigated by the fact that PAMPA does not hold controlling stakes in the other companies.

Appendices

Appendix 1

Base Case **Balance Sheet**

ASSETS	**2012**	**2013**	**2014**	**2015F**	**2016F**	**2017F**	**2018F**	**2019F**	**2020**
Property, plant and equipment	$ 4,345	$ 5,189	$ 6,653	$ 8,320	$ 10,612	$ 13,642	$ 17,633	$ 22,886	$ 29,79
Intangible assets	$ 846	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$
Interest in joint ventures	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$
Deferred tax asset	$ 0	$ 0	$ 87	$ 0	$ 0	$ 0	$ 0	$ 0	$
Other receivables	$ 195	$ 199	$ 249	$ 0	$ 0	$ 0	$ 0	$ 0	$
Trade receivables	$ 2	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$
Total non–current assets	**$ 5,388**	**$ 5,389**	**$ 6,989**	**$ 8,320**	**$ 10,612**	**$ 13,642**	**$ 17,633**	**$ 22,886**	**$ 29,79**
Assets under construction	$ 85	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$
Inventories	$ 85	$ 84	$ 74	$ 94	$ 98	$ 103	$ 107	$ 112	$ 11
Other receivables	$ 127	$ 522	$ 250	$ 0	$ 0	$ 0	$ 0	$ 0	$
Trade receivables	$ 889	$ 803	$ 883	$ 836	$ 873	$ 913	$ 954	$ 996	$ 1,04
Financial assets at fair value through profit or loss	$ 3	$ 216	$ 254	$ 0	$ 0	$ 0	$ 0	$ 0	$
Derivative financial instruments	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$
Cash and cash equivalents	$ 71	$ 244	$ 179	$ 1,473	$ 3,743	$ 3,879	$ 8,024	$ 8,214	$ 8,51
Total current assets	**$ 1,261**	**$ 1,869**	**$ 1,641**	**$ 2,402**	**$ 4,715**	**$ 4,895**	**$ 9,085**	**$ 9,322**	**$ 9,67**
Assets of disposal group classified as held for sale	$ 223	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$
TOTAL ASSETS	**$ 6,872**	**$ 7,258**	**$ 8,630**	**$ 10,722**	**$ 15,327**	**$ 18,536**	**$ 26,718**	**$ 32,208**	**$ 39,46**
EQUITY	**2012**	**2013**	**2014**	**2015F**	**2016F**	**2017F**	**2018F**	**2019F**	**2020**
Share capital	$ 897	$ 897	$ 897	$ 897	$ 897	$ 897	$ 897	$ 897	$ 89
Adjustment to share capital	$ 398	$ 398	$ 398	$ 398	$ 398	$ 398	$ 398	$ 398	$ 39
Additional paid–in capital	$ 4	$ 4	$ 4	$ 4	$ 4	$ 4	$ 4	$ 4	$
Treasury stock	$ 9	$ 9	$ 9	$ 9	$ 9	$ 9	$ 9	$ 9	$
Adjustment to treasury stock	$ 10	$ 10	$ 10	$ 10	$ 10	$ 10	$ 10	$ 10	$ 1
Other comprehensive (loss) income	$ -15	$ -28	$ -40	$ 0	$ 0	$ 0	$ 0	$ 0	$
Accumulated deficit	$ -885	$ -113	$ -893	$ 2,161	$ 6,263	$ 8,864	$ 16,309	$ 20,901	$ 27,06
Equity attributable to the owners	$ 418	$ 1,176	$ 385	$ 3,479	$ 7,581	$ 10,182	$ 17,626	$ 22,219	$ 28,37
Non–controlling interest	$ 71	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$
TOTAL EQUITY	**$ 489**	**$ 1,176**	**$ 385**	**$ 3,479**	**$ 7,581**	**$ 10,182**	**$ 17,626**	**$ 22,219**	**$ 28,37**
LIABILITIES	**2012**	**2013**	**2014**	**2015F**	**2016F**	**2017F**	**2018F**	**2019F**	**2020**
Trade payables	$ 155	$ 221	$ 231	$ 231	$ 231	$ 231	$ 231	$ 231	$ 23
Other payables (1)	$ 1,895	$ 945	$ 1,645	$ 1,645	$ 1,645	$ 1,645	$ 1,645	$ 1,645	$ 1,64
Borrowings	$ 1,351	$ 1,310	$ 1,598	$ 1,598	$ 1,998	$ 2,498	$ 3,122	$ 3,902	$ 4,87
Deferred revenue	$ 264	$ 34	$ 109	$ 109	$ 109	$ 109	$ 109	$ 109	$ 10
Salaries and social security taxes payable	$ 18	$ 26	$ 63	$ 63	$ 63	$ 63	$ 63	$ 63	$ 6
Benefit plans	$ 97	$ 103	$ 150	$ 150	$ 150	$ 150	$ 150	$ 150	$ 15
Deferred tax liability	$ 230	$ 73	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$
Tax liabilities	$ 10	$ 4	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3	$
Provisions	$ 80	$ 83	$ 112	$ 112	$ 112	$ 112	$ 112	$ 112	$ 11
Total non–current liabilities	**$ 4,101**	**$ 2,799**	**$ 3,912**	**$ 3,912**	**$ 4,311**	**$ 4,811**	**$ 5,435**	**$ 6,216**	**$ 7,19**
Trade payables	$ 1,209	$ 2,481	$ 3,300	$ 2,298	$ 2,401	$ 2,509	$ 2,622	$ 2,740	$ 2,86
Other payables (1)	$ 150	$ 147	$ 187	$ 187	$ 187	$ 187	$ 187	$ 187	$ 18
Borrowings	$ 103	$ 41	$ 34	$ 34	$ 34	$ 34	$ 34	$ 34	$ 3
Derivative financial instruments	$ 0	$ 0	$ 6	$ 6	$ 6	$ 6	$ 6	$ 6	$
Deferred revenue	$ 0	$ 0	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1	$
Salaries and social security taxes payable	$ 384	$ 421	$ 611	$ 611	$ 611	$ 611	$ 611	$ 611	$ 61
Benefit plans	$ 15	$ 0	$ 11	$ 11	$ 11	$ 11	$ 11	$ 11	$ 1
Tax liabilities	$ 254	$ 183	$ 161	$ 161	$ 161	$ 161	$ 161	$ 161	$ 16
Provisions	$ 11	$ 11	$ 24	$ 24	$ 24	$ 24	$ 24	$ 24	$ 2
Total current liabilities	**$ 2,125**	**$ 3,283**	**$ 4,333**	**$ 3,332**	**$ 3,435**	**$ 3,543**	**$ 3,656**	**$ 3,774**	**$ 3,89**
Total Liab	**$ 6,225**	**$ 6,082**	**$ 8,245**	**$ 7,243**	**$ 7,746**	**$ 8,354**	**$ 9,091**	**$ 9,990**	**$ 11,08**
Total Eq+Liab	6,714.50	7,258.10	7,258.10	10,722.07	15,327.09	18,536.15	26,717.67	32,208.37	39,466.2

Base Case Income Statement

YEAR	2012	2013	2014	2015F	2016F	2017F	2018F	2019F	2020F
Revenue from sales	$ 2,976	$ 3,441	$ 3,598	$ 3,760	$ 3,930	$ 4,106	$ 4,291	$ 4,484	$ 4,686
Electric power purchases	$ -1,740	$ -2,050	$ -1,878	$ -3,108	$ -4,059	$ -5,302	$ -6,926	$ -9,047	$ -11,818
Subtotal	**$ 1,236**	**$ 1,390**	**$ 1,720**	**$ 653**	**$ -130**	**$ -1,196**	**$ -2,635**	**$ -4,563**	**$ -7,132**
Transmission and distribution expenses	$ -1,344	$ -2,055	$ -2,825	$ -3,577	$ -4,530	$ -5,736	$ -7,263	$ -9,197	$ -11,645
Gross (loss) income	**$ -108**	**$ -665**	**$ -1,105**	**$ -2,925**	**$ -4,660**	**$ -6,932**	**$ -9,898**	**$ -13,760**	**$ -18,778**
Selling expenses	$ -353	$ -548	$ -658	$ -833	$ -1,055	$ -1,336	$ -1,691	$ -2,142	$ -2,712
Administrative expenses	$ -249	$ -325	$ -497	$ -629	$ -797	$ -1,009	$ -1,277	$ -1,617	$ -2,048
Other operating income	$ 32	$ 62	$ 52	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Other operating expense	$ -150	$ -143	$ -319	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Gain from acquisition of companies…	$ 0	$ 1	$ 1	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Operating loss before SE Resolution 250/13 and subsequents Notes	**$ -828**	**$ -1,619**	**$ -2,525**	**$ -4,387**	**$ -6,511**	**$ -9,276**	**#######**	**$ -17,519**	**$ -23,537**
Higher costs recognition – SE Resolution 250/13 and subsequents Notes	$ 0	$ 2,933	$ 2,272	$ 9,213	$ 13,017	$ 13,522	$ 24,624	$ 24,964	$ 33,488
Operating (loss) profit ((operating income))	**$ -828**	**$ 1,315**	**$ -253**	**$ 4,826**	**$ 6,506**	**$ 4,246**	**$ 11,757**	**$ 7,445**	**$ 9,951**
Financial income	$ 76	$ 287	$ 239	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Financial expenses	$ -226	$ -505	$ -592	$ -128	$ -195	$ -244	$ -304	$ -380	$ -476
Other financial expense	$ -168	$ -273	$ -328	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Net financial expense (income)	**$ -319**	**$ -491**	**$ -681**	**$ -128**	**$ -195**	**$ -244**	**$ -304**	**$ -380**	**$ -476**
(Loss) Profit before taxes	**$ -1,147**	**$ 824**	**$ -934**	**$ 4,698**	**$ 6,311**	**$ 4,002**	**$ 11,453**	**$ 7,065**	**$ 9,475**
Income tax	$ 117	$ 44	$ 154	$ -1,644	$ -2,209	$ -1,401	$ -4,008	$ -2,473	$ -3,316
(Loss) Profit for the year from continuing operations	**$ -1,030**	**$ 868**	**$ -780**	**$ 3,054**	**$ 4,102**	**$ 2,602**	**$ 7,444**	**$ 4,592**	**$ 6,159**

Base Case Assumptions

Variable		2015	2016	2017	2018	2019	2020
TC	*Team Forecast*	$ 10.00	$ 12.50	$ 15.63	$ 19.53	$ 24.41	$ 30.52
Inflation	*Team Forecast*	25%	25%	25%	25%	25%	25%
Days of Inventories		9	9	9	9	9	9
Days Trade receivables		80	80	80	80	80	80
Days Trade payables		220	220	220	220	220	220
Capex financed by debt			0%	0%	0%	0%	0%
Capex Increase by year			25%	25%	25%	25%	25%
Energy Losses		14%	14%	14%	14%	14%	14%
Cost of Energy MWh		$ 120	$ 150	$ 188	$ 234	$ 293	$ 366
Diviend Payout Ratio			0%	0%	0%	0%	0%
Cost of LT Debt		9.75%	9.75%	9.75%	9.75%	9.75%	9.75%
Subsidies		100%	100%	75%	100%	75%	75%

Base Case Cash Flow

Cash flows from operating activities	2012	2013	2014	2015F	2016F	2017F	2018F	2019F	2020F
(Loss) Profit for the year	$ -1,013	$ 773	$ -780	$ 4,826	$ 6,506	$ 4,246	$ 11,757	$ 7,445	$ 9,951
Depreciation of property, plant and equipment	$ 193	$ 212	$ 238	$ 333	$ 333	$ 416	$ 531	$ 682	$ 882
Loss on disposals of property, plant and equipment	$ 2	$ 1	$ 1	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Net accrued interest	$ 183	$ 197	$ 334	$ 87	$ 0	$ 0	$ 0	$ 0	$ 0
Exchange differences	$ 193	$ 366	$ 428	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Income Tax	$ -117	$ -44	$ -154	$ -1,644	$ -2,209	$ -1,401	$ -4,008	$ -2,473	$ -3,316
Allowance for the impairment of trade and other receivables, net ofrecover	$ 54	$ 34	$ 20	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Adjustment to present value of receivables	$ 2	$ -2	$ -8	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Provision for contingencies	$ 25	$ 36	$ 75	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Other	$ 0	$ 0	$ 98	$ 40	$ 0	$ 0	$ 0	$ 0	$ 0
Changes in fair value of financial assets	$ -39	$ -16	$ -68	$ 254	$ 0	$ 0	$ 0	$ 0	$ 0
Accrual of benefit plans	$ 20	$ 23	$ 51	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Higher costs recognition – SE Resolution 250/13 and subsequentsNotes	$ 0	$ -2,933	$ -2,272	$ -9,213	$ -13,017	$ -13,522	$ -24,624	$ -24,964	$ -33,488
Net gain from the repurchase of Corporate Notes	$ 0	$ -89	$ -44	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Discontinued operations	$ 288	$ 169	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Increase in trade receivables	$ -306	$ -49	$ -55	$ 47	$ -38	$ -39	$ -41	$ -43	$ -45
Increase in other receivables	$ -16	$ -112	$ -128	$ 500	$ 0	$ 0	$ 0	$ 0	$ 0
Decrease (Increase) in inventories	$ -18	$ -43	$ 10	$ -20	$ -4	$ -4	$ -5	$ -5	$ -5
Increase in assets under construction	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Increase (Decrease) in deferred revenue	$ 17	$ -1	$ 76	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
(Decrease) Increase in trade payables	$ 208	$ -87	$ -528	$ -1,002	$ 103.41	$ 108.06	$ 112.92	$ 118.01	$ 123.32
Increase in salaries and social security taxes payable	$ 89	$ 95	$ 227	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Decrease in benefit plans	$ -4	$ -8	$ -11	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
(Decrease) Increase in tax liabilities	$ 43	$ -45	$ -29	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Increas in other payables	$ 41	$ 262	$ 162	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Funds obtained from PUREE	$ 411	$ 492	$ 483	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Net decrease in provisions	$ -12	$ -25	$ -33	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Subtotal before variations of debts with Cammesa	$ 243	$ -795	$ -1,908	$ -5,791	$ -8,326	$ -10,197	$ -16,277	$ -19,239	$ -25,899
Increase in account payable and other liabilities with Cammesa	$ 296	$ 2,232	$ 3,456	$ 9,213	$ 13,017	$ 13,522	$ 24,624	$ 24,964	$ 33,488
Net cash flows provided by operating activities	**$ 538**	**$ 1,437**	**$ 1,548**	**$ 3,421**	**$ 4,691**	**$ 3,325**	**$ 8,346**	**$ 5,725**	**$ 7,590**

Cash flows from investing activities	2012	2013	2014	2015	2016	2017	2018	2019	2020
Acquisitions of property, plant and equipment	$ -538	$ -892	$ -1,400	$ -2,000	$ -2,625	$ -3,445	$ -4,522	$ -5,935	$ -7,790
Net (payment for) collection of purchase / sale of financial assets at fair valu	$ 38	$ -97	$ -65	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Loans granted	$ -1	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Collection of financial receivables with related companies	$ 142	$ 2	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Collection for sales of discontinued operations	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Incorporation of Cash and Cash equivalents in acquired companies	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Collection of receivables from sale of subsidiaries – SIESA	$ 0	$ 3	$ 3	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Discontinued operations	$ -232	$ -124	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Net cash flows used in investing activities	**$ -590**	**$ -1,109**	**$ -1,462**	**$ -2,000**	**$ -2,625**	**$ -3,445**	**$ -4,522**	**$ -5,935**	**$ -7,790**

Cash flows from financing activities	2012	2013	2014	2015	2016	2017	2018	2019	2020
Loans taken	$ 1	$ 0	$ 0	$ 0	$ 400	$ 500	$ 624	$ 780	$ 976
Repayment of principal on loans	$ -37	$ -26	$ -0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Payment of interest on loans	$ -129	$ -177	$ -155	$ -128	$ -195	$ -244	$ -304	$ -380	$ -476
Discontinued operations	$ 137	$ 25	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Net cash flows used in financing activities	**$ -28**	**$ -177**	**$ -156**	**$ -128**	**$ 205**	**$ 256**	**$ 320**	**$ 400**	**$ 500**

Cash Flow	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net (decrease) / increase in cash and cash equivalents	$ -80	$ 151	$ -70	$ 1,293	$ 2,271	$ 136	$ 4,144	$ 190	$ 300
Cash and cash equivalents at beginning of year	$ 131	$ 71	$ 244	$ 179	$ 1,473	$ 3,743	$ 3,879	$ 8,024	$ 8,214
Cash and cash equivalents at beginning of year included in assets of disposal group classified as held for sale	$ 28	$ 11	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Exchange differences in cash and cash equivalents	$ 3	$ 11	$ 5	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Net (decrease) increase in cash and cash equivalents	$ -80	$ 151	$ -70	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Cash and cash equivalents at the end of year	$ 82	$ 244	$ 179	$ 1,473	$ 3,743	$ 3,879	$ 8,024	$ 8,214	$ 8,514
Cash and cash equivalents at the end of the year in the statement of financial position	$ 71	$ 244	$ 179	$ 1,473	$ 3,743	$ 3,879	$ 8,024	$ 8,214	$ 8,514
Cash and cash equivalents at the end of the year included in assets of disposal group classified as held for sale	$ 11	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Cash and cash equivalents at the end of the year	$ 82	$ 244	$ 179	$ 1,473	$ 3,743	$ 3,879	$ 8,024	$ 8,214	$ 8,514

Free Cash Flow (U$D)				$ 134	$ 187	$ 14	$ 218	$ 13	$ 15	
Terminal Value (with 3% growth)										$

Appendix 2

Normalized Case Balance Sheet

ASSETS	2012	2013	2014	2015F	2016F	2017F	2018F	2019F	2020
Property, plant and equipment	$ 4,345	$ 5,189	$ 6,653	$ 8,320	$ 10,827	$ 14,274	$ 18,869	$ 24,402	$ 31,05
Intangible assets	$ 846	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$
Interest in joint ventures	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$
Deferred tax asset	$ 0	$ 0	$ 87	$ 0	$ 0	$ 0	$ 0	$ 0	$
Other receivables	$ 195	$ 199	$ 249	$ 0	$ 0	$ 0	$ 0	$ 0	$
Trade receivables	$ 2	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$
Total non–current assets	**$ 5,388**	**$ 5,389**	**$ 6,989**	**$ 8,320**	**$ 10,827**	**$ 14,274**	**$ 18,869**	**$ 24,402**	**$ 31,05**
Assets under construction	$ 85	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$
Inventories	$ 85	$ 84	$ 74	$ 327	$ 410	$ 514	$ 590	$ 666	$ 75
Other receivables	$ 127	$ 522	$ 250	$ 0	$ 0	$ 0	$ 0	$ 0	$
Trade receivables	$ 889	$ 803	$ 883	$ 3,266	$ 4,096	$ 5,136	$ 5,904	$ 6,664	$ 7,52
Financial assets at fair value through profit or loss	$ 3	$ 216	$ 254	$ 0	$ 0	$ 0	$ 0	$ 0	$
Derivative financial instruments	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$
Cash and cash equivalents	$ 71	$ 244	$ 179	$ 1,199	$ 3,599	$ 6,455	$ 7,651	$ 9,161	$ 10,86
Total current assets	**$ 1,261**	**$ 1,869**	**$ 1,641**	**$ 4,792**	**$ 8,105**	**$ 12,105**	**$ 14,146**	**$ 16,491**	**$ 19,13**
Assets of disposal group classified as held for sale	$ 223	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$
TOTAL ASSETS	**$ 6,872**	**$ 7,258**	**$ 8,630**	**$ 13,112**	**$ 18,932**	**$ 26,379**	**$ 33,016**	**$ 40,893**	**$ 50,19**
EQUITY	**2012**	**2013**	**2014**	**2015F**	**2016F**	**2017F**	**2018F**	**2019F**	**2020**
Share capital	$ 897	$ 897	$ 897	$ 897	$ 897	$ 897	$ 897	$ 897	$ 89
Adjustment to share capital	$ 398	$ 398	$ 398	$ 398	$ 398	$ 398	$ 398	$ 398	$ 39
Additional paid–in capital	$ 4	$ 4	$ 4	$ 4	$ 4	$ 4	$ 4	$ 4	$
Treasury stock	$ 9	$ 9	$ 9	$ 9	$ 9	$ 9	$ 9	$ 9	$
Adjustment to treasury stock	$ 10	$ 10	$ 10	$ 10	$ 10	$ 10	$ 10	$ 10	$ 1
Other comprehensive (loss) income	$ -15	$ -28	$ -40	$ 0	$ 0	$ 0	$ 0	$ 0	$
Accumulated deficit	$ -885	$ -113	$ -893	$ 340	$ 1,849	$ 4,052	$ 6,719	$ 10,268	$ 14,38
Equity attributable to the owners	$ 418	$ 1,176	$ 385	$ 1,658	$ 3,167	$ 5,370	$ 8,037	$ 11,586	$ 15,70
Non–controlling interest	$ 71	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$
TOTAL EQUITY	**$ 489**	**$ 1,176**	**$ 385**	**$ 1,658**	**$ 3,167**	**$ 5,370**	**$ 8,037**	**$ 11,586**	**$ 15,70**
LIABILITIES	**2012**	**2013**	**2014**	**2015F**	**2016F**	**2017F**	**2018F**	**2019F**	**2020**
Trade payables	$ 155	$ 221	$ 231	$ 231	$ 231	$ 231	$ 231	$ 231	$ 23
Other payables (1)	$ 1,895	$ 945	$ 1,645	$ 1,645	$ 1,645	$ 1,645	$ 1,645	$ 1,645	$ 1,64
Borrowings	$ 1,351	$ 1,310	$ 1,598	$ 1,598	$ 4,226	$ 7,388	$ 9,822	$ 12,632	$ 16,10
Deferred revenue	$ 264	$ 34	$ 109	$ 109	$ 109	$ 109	$ 109	$ 109	$ 10
Salaries and social security taxes payable	$ 18	$ 26	$ 63	$ 63	$ 63	$ 63	$ 63	$ 63	$ 6
Benefit plans	$ 97	$ 103	$ 150	$ 150	$ 150	$ 150	$ 150	$ 150	$ 15
Deferred tax liability	$ 230	$ 73	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$
Tax liabilities	$ 10	$ 4	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3	$
Provisions	$ 80	$ 83	$ 112	$ 112	$ 112	$ 112	$ 112	$ 112	$ 11
Total non–current liabilities	**$ 4,101**	**$ 2,799**	**$ 3,912**	**$ 3,912**	**$ 6,539**	**$ 9,702**	**$ 12,136**	**$ 14,945**	**$ 18,41**
Trade payables	$ 1,209	$ 2,481	$ 3,300	$ 6,533	$ 8,192	$ 10,273	$ 11,809	$ 13,327	$ 15,04
Other payables (1)	$ 150	$ 147	$ 187	$ 187	$ 187	$ 187	$ 187	$ 187	$ 18
Borrowings	$ 103	$ 41	$ 34	$ 34	$ 34	$ 34	$ 34	$ 34	$ 3
Derivative financial instruments	$ 0	$ 0	$ 6	$ 6	$ 6	$ 6	$ 6	$ 6	$
Deferred revenue	$ 0	$ 0	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1	$
Salaries and social security taxes payable	$ 384	$ 421	$ 611	$ 611	$ 611	$ 611	$ 611	$ 611	$ 61
Benefit plans	$ 15	$ 0	$ 11	$ 11	$ 11	$ 11	$ 11	$ 11	$ 1
Tax liabilities	$ 254	$ 183	$ 161	$ 161	$ 161	$ 161	$ 161	$ 161	$ 16
Provisions	$ 11	$ 11	$ 24	$ 0	$ 24	$ 24	$ 24	$ 24	$ 2
Total current liabilities	**$ 2,125**	**$ 3,283**	**$ 4,333**	**$ 7,542**	**$ 9,226**	**$ 11,307**	**$ 12,842**	**$ 14,361**	**$ 16,07**
Total Liab	**$ 6,225**	**$ 6,082**	**$ 8,245**	**$ 11,454**	**$ 15,765**	**$ 21,008**	**$ 24,978**	**$ 29,306**	**$ 34,49**
Total Eq+Liab	6,714.50	7,258.10	7,258.10	13,112.28	18,931.76	26,378.72	33,015.57	40,892.82	50,191.5

Normalized Case Income Statement

YEAR	2012	2013	2014	2015F	2016F	2017F	2018F	2019F	2020F
Revenue from sales	$ 2,976	$ 3,441	$ 3,598	$ 19,599	$ 24,577	$ 30,819	$ 35,426	$ 39,982	$ 45,124
Electric power purchases	$ -1,740	$ -2,050	$ -1,878	$ -12,534	$ -15,718	$ -19,262	$ -22,142	$ -24,434	$ -27,576
Subtotal	**$ 1,236**	**$ 1,390**	**$ 1,720**	**$ 7,065**	**$ 8,859**	**$ 11,557**	**$ 13,285**	**$ 15,549**	**$ 17,548**
Transmission and distribution expenses	$ -1,344	$ -2,055	$ -2,825	$ -3,577	$ -4,349	$ -5,286	$ -5,890	$ -6,444	$ -7,050
Gross (loss) income	**$ -108**	**$ -665**	**$ -1,105**	**$ 3,487**	**$ 4,510**	**$ 6,271**	**$ 7,395**	**$ 9,104**	**$ 10,498**
Selling expenses	$ -353	$ -548	$ -658	$ -833	$ -1,013	$ -1,231	$ -1,372	$ -1,501	$ -1,642
Administrative expenses	$ -249	$ -325	$ -497	$ -629	$ -765	$ -930	$ -1,036	$ -1,133	$ -1,240
Other operating income	$ 32	$ 62	$ 52	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Other operating expense	$ -150	$ -143	$ -319	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Gain from acquisition of companies Revenue ...	$ 0	$ 1	$ 1	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Operating loss before SE Resolution 250/13 and subsequents Notes	**$ -828**	**$ -1,619**	**$ -2,525**	**$ 2,025**	**$ 2,733**	**$ 4,110**	**$ 4,987**	**$ 6,471**	**$ 7,616**
Higher costs recognition – SE Resolution 250/13 and subsequents Notes	$ 0	$ 2,933	$ 2,272	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Operating (loss) profit ((operating income))	**$ -828**	**$ 1,315**	**$ -253**	**$ 2,025**	**$ 2,733**	**$ 4,110**	**$ 4,987**	**$ 6,471**	**$ 7,616**
Financial income	$ 76	$ 287	$ 239	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Financial expenses	$ -226	$ -505	$ -592	$ -128	$ -412	$ -720	$ -884	$ -1,011	$ -1,288
Other financial expense	$ -168	$ -273	$ -328	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Net financial expense (income)	**$ -319**	**$ -491**	**$ -681**	**$ -128**	**$ -412**	**$ -720**	**$ -884**	**$ -1,011**	**$ -1,288**
(Loss) Profit before taxes	**$ -1,147**	**$ 824**	**$ -934**	**$ 1,897**	**$ 2,321**	**$ 3,390**	**$ 4,103**	**$ 5,460**	**$ 6,328**
Income tax	$ 117	$ 44	$ 154	$ -664	$ -812	$ -1,187	$ -1,436	$ -1,911	$ -2,215
(Loss) Profit for the year from continuing operations	**$ -1,030**	**$ 868**	**$ -780**	**$ 1,233**	**$ 1,509**	**$ 2,204**	**$ 2,667**	**$ 3,549**	**$ 4,113**

Normalized Case Assumptions

Variable			2015	2016	2017	2018	2019	2020
TC	*Team Forecast*		$ 10.00	**$ 14.00**	$ 16.80	$ 18.48	$ 19.96	$ 21.56
Inflation	*Team Forecast*		25%	20%	20%	10%	8%	8%
Days of Inventories			6	6	6	6	6	6
Days Trade receivables			60	60	60	60	60	60
Days Trade payables			120	120	120	120	120	120
Capex financed by debt				50%	50%	30%	30%	30%
Capex Increase by year				30%	30%	30%	20%	20%
Energy Losses			14%	14%	12%	12%	10%	10%
% cost of Energy buy			55%	55%	55%	55%	55%	55%
Diviend Payout Ratio				5%	5%	5%	5%	5%
Cost of LT Debt			9.75%	9.75%	9.75%	9%	8%	8%
D/E	**Target**	**1.10**	0.98	1.35	1.38	1.23	1.09	1.03
CAPEX/NET INCOME	**Target**	**2.5**	1.62	1.88	1.75	1.93	1.76	1.85
Avg Cost of Energy			$ 484	$ 581	$ 697	$ 767	$ 828	$ 894

Normalized Case Cash Flow

Cash flows from operating activities	2012	2013	2014	2015F	2016F	2017F	2018F	2019F	2020F
(Loss) Profit for the year	$ -1,013	$ 773	$ -780	$ 2,025	$ 2,733	$ 4,110	$ 4,987	$ 6,471	$ 7,616
Depreciation of property, plant and equipment	$ 193	$ 212	$ 238	$ 333	$ 333	$ 416	$ 541	$ 714	$ 943
Loss on disposals of property, plant and equipment	$ 2	$ 1	$ 1	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Net accrued interest	$ 183	$ 197	$ 334	$ 87	$ 0	$ 0	$ 0	$ 0	$ 0
Exchange differences	$ 193	$ 366	$ 428	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Income Tax	$ -117	$ -44	$ -154	$ -664	$ -812	$ -1,187	$ -1,436	$ -1,911	$ -2,215
Allowance for the impairment of trade and other receivables, net ofrecovery	$ 54	$ 34	$ 20	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Adjustment to present value of receivables	$ 2	$ -2	$ -8	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Provision for contingencies	$ 25	$ 36	$ 75	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Other	$ 0	$ 0	$ 98	$ 40	$ 0	$ 0	$ 0	$ 0	$ 0
Changes in fair value of financial assets	$ -39	$ -16	$ -68	$ 254	$ 0	$ 0	$ 0	$ 0	$ 0
Accrual of benefit plans	$ 20	$ 23	$ 51	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Higher costs recognition – SE Resolution 250/13 and subsequentsNotes	$ 0	$ -2,933	$ -2,272	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Net gain from the repurchase of Corporate Notes	$ 0	$ -89	$ -44	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Discontinued operations	$ 288	$ 169	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Increase in trade receivables	$ -306	$ -49	$ -55	$ -2,384	$ -830	$ -1,040	$ -768	$ -759	$ -857
Increase in other receivables	$ -16	$ -112	$ -128	$ 500	$ 0	$ 0	$ 0	$ 0	$ 0
Decrease (Increase) in inventories	$ -18	$ -43	$ 10	$ -253	$ -83	$ -104	$ -77	$ -76	$ -86
Increase in assets under construction	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Increase (Decrease) in deferred revenue	$ 17	$ -1	$ 76	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
(Decrease) Increase in trade payables	$ 208	$ -87	$ -528	$ 3,233	$ 1,659.34	$ 2,080.81	$ 1,535.81	$ 1,518.61	$ 1,713.91
Increase in salaries and social security taxes payable	$ 89	$ 95	$ 227	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Decrease in benefit plans	$ -4	$ -8	$ -11	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
(Decrease) Increase in tax liabilities	$ 43	$ -45	$ -29	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Increas in other payables	$ 41	$ 262	$ 162	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Funds obtained from PUREE	$ 411	$ 492	$ 483	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Net decrease in provisions	$ -12	$ -25	$ -33	$ -24.10	$ 24.10	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Subtotal before variations of debts with Cammesa	$ 243	$ -795	$ -1,908	$ 3,148	$ 3,024	$ 4,276	$ 4,783	$ 5,957	$ 7,116
Increase in account payable and other liabilities with Cammesa	$ 296	$ 2,232	$ 3,456	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Net cash flows provided by operating activities	**$ 538**	**$ 1,437**	**$ 1,548**	**$ 3,148**	**$ 3,024**	**$ 4,276**	**$ 4,783**	**$ 5,957**	**$ 7,116**

Cash flows from investing activities	2012	2013	2014	2015F	2016F	2017F	2018F	2019F	2020F
Acquisitions of property, plant and equipment	$ -538	$ -892	$ -1,400	$ -2,000	$ -2,840	$ -3,862	$ -5,137	$ -6,247	$ -7,596
Net (payment for) collection of purchase / sale of financial assets at fair value	$ 38	$ -97	$ -65	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Loans granted	$ -1	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Collection of financial receivables with related companies	$ 142	$ 2	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Collection for sales of discontinued operations	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Incorporation of Cash and Cash equivalents in acquired companies	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Collection of receivables from sale of subsidiaries – SIESA	$ 0	$ 3	$ 3	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Discontinued operations	$ -232	$ -124	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Net cash flows used in investing activities	**$ -590**	**$ -1,109**	**$ -1,462**	**$ -2,000**	**$ -2,840**	**$ -3,862**	**$ -5,137**	**$ -6,247**	**$ -7,596**

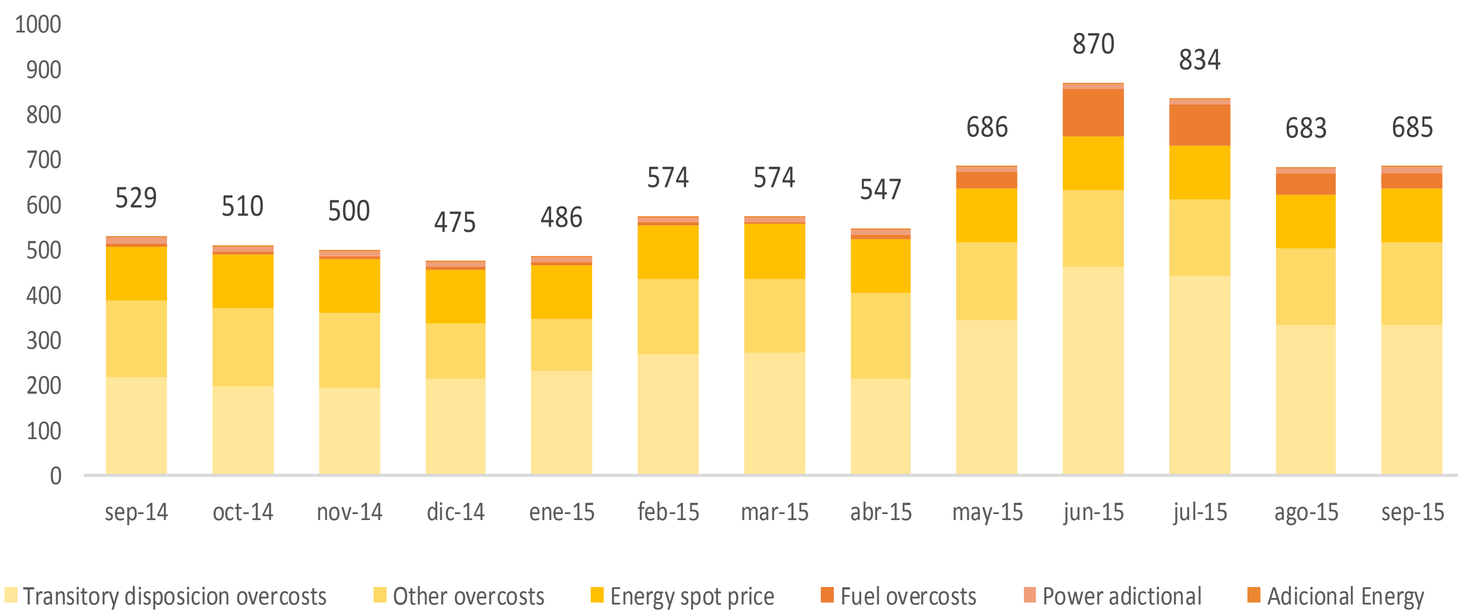
Cash flows from financing activities	2012	2013	2014	2015F	2016F	2017F	2018F	2019F	2020F
Loans taken	$ 1	$ 0	$ 0	$ 0	$ 2,627	$ 3,163	$ 2,434	$ 2,810	$ 3,472
Repayment of principal on loans	$ -37	$ -26	$ -0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Payment of interest on loans	$ -129	$ -177	$ -155	$ -128	$ -412	$ -720	$ -884	$ -1,011	$ -1,288
Discontinued operations	$ 137	$ 25	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Net cash flows used in financing activities	**$ -28**	**$ -177**	**$ -156**	**$ -128**	**$ 2,215**	**$ 2,442**	**$ 1,550**	**$ 1,799**	**$ 2,183**

Cash Flow	2012	2013	2014	2015F	2016F	2017F	2018F	2019F	2020F
Net (decrease) / increase in cash and cash equivalents	$ -80	$ 151	$ -70	$ 1,020	$ 2,399	$ 2,856	$ 1,197	$ 1,509	$ 1,704
Cash and cash equivalents at beginning of year	$ 131	$ 71	$ 244	$ 179	$ 1,199	$ 3,599	$ 6,455	$ 7,651	$ 9,161
Cash and cash equivalents at beginning of year included in assets of disposal group classified as held for sale	$ 28	$ 11	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Exchange differences in cash and cash equivalents	$ 3	$ 11	$ 5	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Net (decrease) increase in cash and cash equivalents	$ -80	$ 151	$ -70	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Cash and cash equivalents at the end of year	$ 82	$ 244	$ 179	$ 1,199	$ 3,599	$ 6,455	$ 7,651	$ 9,161	$ 10,864
Cash and cash equivalents at the end of the year in the statement of financial position	$ 71	$ 244	$ 179	$ 1,199	$ 3,599	$ 6,455	$ 7,651	$ 9,161	$ 10,864
Cash and cash equivalents at the end of the year included in assets of disposal group classified as held for sale	$ 11	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Cash and cash equivalents at the end of the year	$ 82	$ 244	$ 179	$ 1,199	$ 3,599	$ 6,455	$ 7,651	$ 9,161	$ 10,864

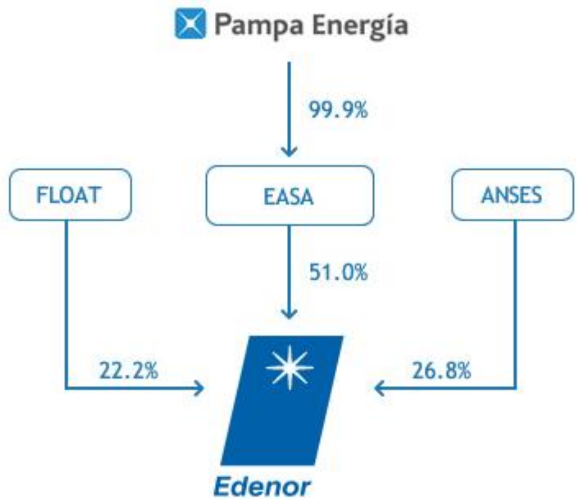
	2012	2013	2014	2015F	2016F	2017F	2018F	2019F	2020F
Free Cash Flow (U$D)				$ 106	$ 182	$ 185	$ 81	$ 93	$ 100
Terminal Value (with 4% growth)									

Appendix 3

Concept	sep-14	oct-14	nov-14	dic-14	ene-15	feb-15	mar-15	abr-15	may-15	jun-15	jul-15	ago-15	sep-15
Transitory disposicion overcosts	217	198	194	215	231	269	273	215	342	461	442	334	331
Other overcosts	171	173	167	120	115	166	163	189	175	171	169	167	184
Energy spot price	120	120	120	120	120	120	120	120	120	120	120	120	120
Fuel overcosts	6	6	5	6	5	5	5	11	37	104	91	48	34
Power adictional	12	11	10	11	10	10	10	10	10	11	10	11	13
Adicional Energy	4	4	4	4	4	4	3	3	2	3	3	3	3
Monomic Cost	529	510	500	475	486	574	574	547	686	870	834	683	685



Appendix 4



Board of Directors

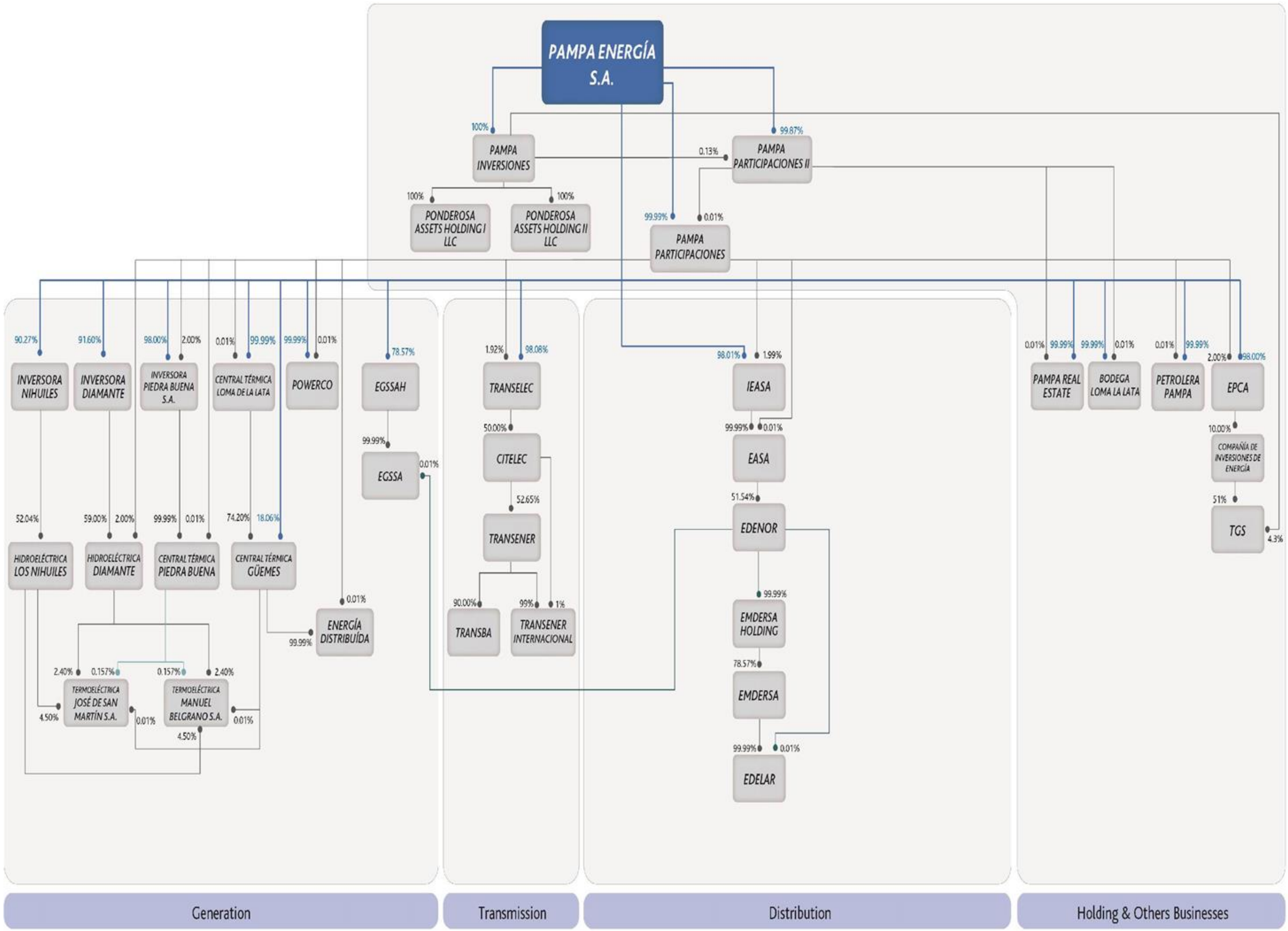
Our business and affairs are managed by our Board of Directors in accordance with our bylaws and the Argentine Companies Law. Our bylaws provide that our Board of Directors will consist of twelve directors and up to the same number of alternate directors. Pursuant to the Argentine Companies Law, a majority of our directors must be residents of Argentina.

Directors and alternate directors serve for one-year periods, indefinitely renewable.

Name	Position	Year of appointment (class electing director)
Ricardo A. Torres	Chairman & CEO	2015 (Clase A)
Gustavo Mariani	Vice Chairman	2015 (Clase A)
Marcos Marcelo Mindlin**	Director	2015 (Clase A)
Pablo Díaz	Director	2015 (Clase A)
Maximiliano A. Fernandez *	Director	2015 (Clase A)
Eduardo L. Llanos	Director	2015 (Clase A)
Emmanuel Alvarez Agis *	Director	2015 (Clases B/C)
Eduardo Setti *	Director	2015 (Clases B/C)
Santiago Durán Cassiet *	Director	2015 (Clases B/C)
Eduardo Endeiza	Director	2015 (Clases B/C)
Juan Cuattromo *	Director	2015 (Clases B/C)
Diego Martín Salaverri	Alternate Director	2015 (Clase A)
Damian Mindlin **	Alternate Director	2015 (Clase A)
Leandro C. Montero	Alternate Director	2015 (Clase A)
Daniel Flaks	Alternate Director	2015 (Clase A)
Mariano Batistella	Alternate Director	2015 (Clase A)
Gerardo Paz	Alternate Director	2015 (Clase A)
Diana Mondino *	Alternate Director	2015 (Clase A)
Haroldo Montagu *	Alternate Director	2015 (Clases B/C)
Martín Breinlinger *	Alternate Director	2015 (Clases B/C)
Juan Donnini *	Alternate Director	2015 (Clases B/C)
Ariel Sacks*	Alternate Director	2015 (Clases B/C)
Esteban Serrani *	Alternate Director	2015 (Clases B/C)

* Independiente conforme a la ley argentina y a la Norma 10A-3 de la Ley del Mercado de Valores Estadounidense de 1934 y sus modificatorias.
**Vínculo familiar existente entre los miembros del directorio: Marcos Marcelo Mindlin y Damián Miguel Mindlin son hermanos.

Appendix 5

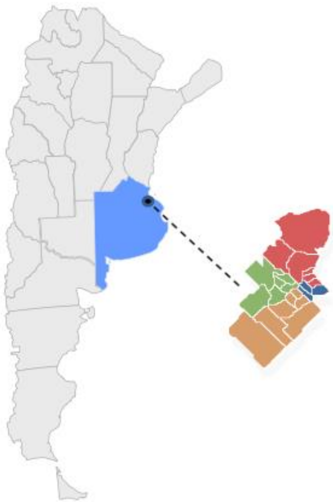

PAMPA ENERGÍA S.A.
PAMPA INVERSIONES
PAMPA PARTICIPACIONES II
PAMPA PARTICIPACIONES
PONDEROSA ASSETS HOLDING I LLC
PONDEROSA ASSETS HOLDING II LLC
INVERSORA NIHUILES
INVERSORA DIAMANTE
INVERSORA PIEDRA BUENA S.A.
CENTRAL TÉRMICA LOMA DE LA LATA
POWERCO
EGSSAH
EGSSA
HIDROELÉCTRICA LOS NIHUILES
HIDROELÉCTRICA DIAMANTE
CENTRAL TÉRMICA PIEDRA BUENA
CENTRAL TÉRMICA GÜEMES
ENERGÍA DISTRIBUÍDA
TERMOELÉCTRICA JOSÉ DE SAN MARTÍN S.A.
TERMOELÉCTRICA MANUEL BELGRANO S.A.
TRANSELEC
CITELEC
TRANSENER
TRANSBA
TRANSENER INTERNACIONAL
IEASA
EASA
EDENOR
EMDERSA HOLDING
EMDERSA
EDELAR
PAMPA REAL ESTATE
BODEGA LOMA LA LATA
PETROLERA PAMPA
EPCA
COMPAÑÍA DE INVERSIONES DE ENERGÍA
TGS
Generation
Transmission
Distribution
Holding & Others Businesses

Appendix 7

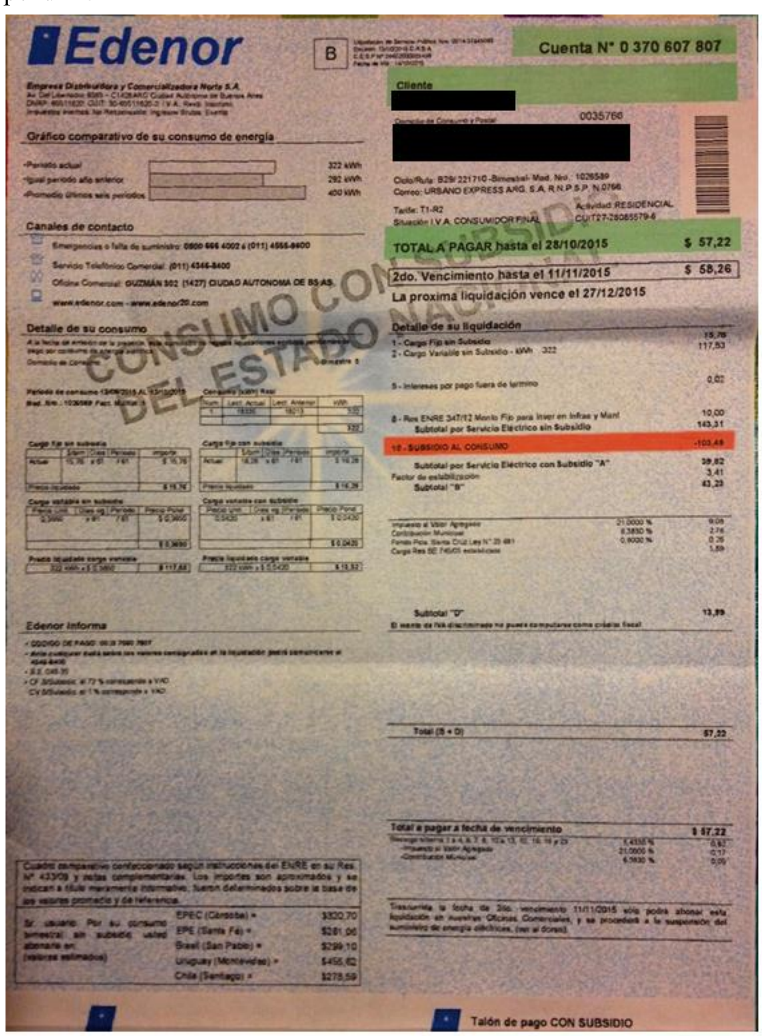
Bond	Edenor 2020
Price	$ 94,67
YTM	11,27%
Mod duration	4,85
Parity	94,21%
Accrued interest	0,49
Next payment	25/04/2016
Maturity	25/10/2022
Residual value	100%
Tecnica value	100,49
Coupon	9,75

Appendix 8

Edenor Concession Area



Appendix 8



Edenor

B

Cuenta N° 0 370 607 807

Cliente

[redacted]

0035760

[redacted]

Gráfico comparativo de su consumo de energía

Período actual	322 kWh
Igual período año anterior	292 kWh
Promedio últimos seis períodos	400 kWh

Ciclo/Ruta: B29/ 221710 -Bimestral- Med. Nro.: 1026589

Correo: URBANO EXPRESS ARG. S.A. R.N.P.S.P. N 0766

Tarifa: T1-R2

Actividad RESIDENCIAL

Situación I.V.A. CONSUMIDOR FINAL

Canales de contacto

Servicio Telefónico Comercial: (011) 4346-8400

Oficina Comercial: GUZMÁN 302 (1427) CIUDAD AUTONOMA DE BS AS.

www.edenor.com - www.edenor20.com

TOTAL A PAGAR hasta el 28/10/2015 $ 57,22

2do. Vencimiento hasta el 11/11/2015 $ 58,26

La proxima liquidación vence el 27/12/2015

Detalle de su consumo

Detalle de su liquidación

1 - Cargo Fijo sin Subsidio	15,78
2 - Cargo Variable sin Subsidio - kWh 322	117,53
5 - Intereses por pago fuera de término	0,02
8 - Res ENRE 347/12 Monto Fijo para Inver en Infrae y Mant	10,00
Subtotal por Servicio Eléctrico sin Subsidio	143,31
10 - SUBSIDIO AL CONSUMO	-103,49
Subtotal por Servicio Eléctrico con Subsidio "A"	39,82
Factor de estabilización	3,41
Subtotal "B"	43,23
Subtotal "D"	13,99
Total (B + D)	57,22

Edenor informa

Total a pagar a fecha de vencimiento $ 57,22

EPEC (Córdoba) =	$320,70
EPE (Santa Fe) =	$281,06
Brasil (San Pablo) =	$299,10
Uruguay (Montevideo) =	$456,62
Chile (Santiago) =	$278,59

Talón de pago CON SUBSIDIO

Appendix 9

Company	P/Sales	P/Book	Operating mar	EV/EBIT	P/E (TTM)	EV/sales	EV/EBITDA
Edenor	2,07	10,00	31,84%	7,12	11,50	3,17	4,17
Western energy	**2,10**	**1,51**	**24,62%**	**14,36**	**18,16**	**3,61**	**9,48**
El paso Electric	1,81	1,58	16,24%	16,15	18,35	3,27	9,34
Enersis	**1,12**	**1,44**	**24,31%**	**5,65**	**11,59**	**1,40**	**4,08**
Aes Eletropaulo	0,07	0,34	15,00%	6,79	3,34	2,25	7,4
National Grid	**2,22**	**2,82**	**24,87%**	**15,56**	**16,75**	**3,74**	**11,33**
DTE energy	1,30	1,62	15,07%	12,87	15,02	2,08	8,63
Pampa	**1,81**	**5,12**	**37,73%**	**5,26**	**7,89**	**3,10**	**3,38**
Peer median	**1,56**	**3,05**	**23,71%**	**10,47**	**12,83**	**2,83**	**7,66**

Appendix 10

WACC	2016-2020	Terminal Value
Risk free rate	**2,00%**	**5,00%**
Beta	**2,49**	**1,5**
Risk Premium	**8,00%**	**11,00%**
Country Risk	**4,99%**	**2,60%**
Cost of Equity	21,93%	16,60%
Cost of Debt	**11,40%**	**8,00%**
Tax rate	**35,00%**	**35,00%**
Cost of Debt	7,41%	5,20%
Weight of Equity	**48,0%**	**47,6%**
Weight of Debt	**52,0%**	**52,4%**
WACC	**14,38%**	**10,63%**

Appendix 11

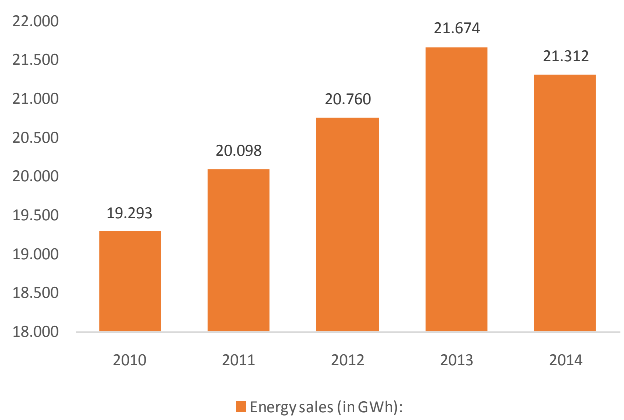
Forecast	Actual	2015	2016	2017	2020	2030	2050	Unit
GDP per capita	7956	7916	7961	8003	8040	8448	9051	USD

Appendix 12

Country Name	KWh per capita
Latin America & Caribbean	803
Brazil	**2.462**
Argentina	2.955
World Medium+ Income	**3.031**
World	3.064
Venezuela	**3.413**
Chile	3.810
Europe & Central Asia	**5.513**
Spain	5.573
USA	**13.389**

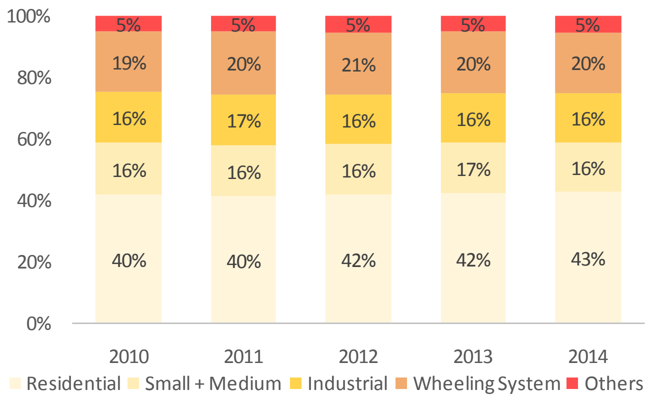
Appendix 13

Operating data	2010	2011	2012	2013	2014
Energy sales (in GWh):	**19.293**	**20.098**	**20.760**	**21.674**	**21.312**
Residential	**7.796**	**8.139**	**8.662**	**9.114**	**9.114**
Small + Medium	3.177	3.301	3.405	3.608	3.426
Industrial	**3.378**	**3.442**	**3.335**	**3.458**	**3.431**
Wheeling System	3.891	4.156	4.261	4.374	4.213
Others	**1.051**	**1.060**	**1.097**	**1.120**	**1.128**
Customers (in thousands)	**2.662**	**2.699**	**2726**	**2773**	**2801**
Energy Losses (%)	**12,50%**	**12,60%**	**13,30%**	**13,00%**	**14,30%**

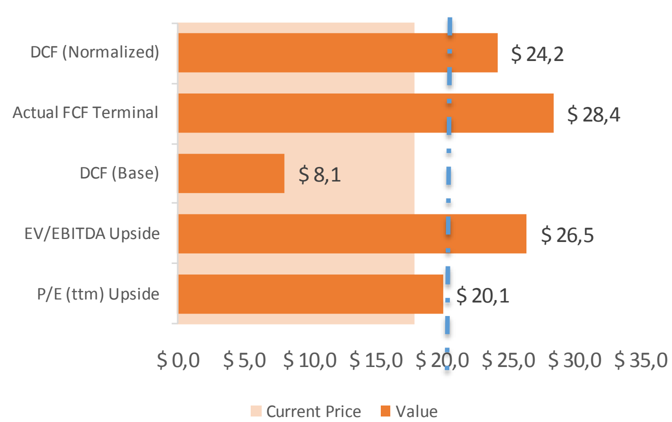


Appendix 14

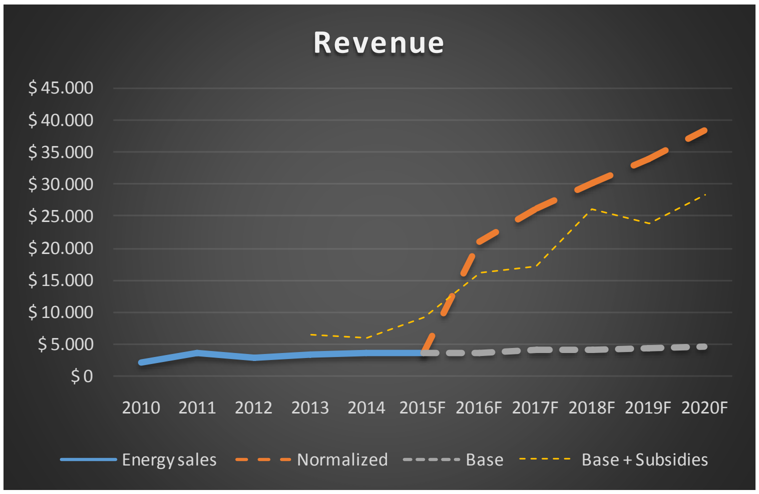
Operating data	2010	2011	2012	2013	2014
Residential	**40%**	**40%**	**42%**	**42%**	**43%**
Small + Medium	16%	16%	16%	17%	16%
Industrial	**16%**	**17%**	**16%**	**16%**	**16%**
Wheeling System	19%	20%	21%	20%	20%
Others	**5%**	**5%**	**5%**	**5%**	**5%**



Appendix 15



Appendix 16



Appendix 17

Date	Edenor Price
4/07	18,40
5/07	**18,37**
6/07	20,43
7/07	**21,28**
8/07	22,17
9/07	**23,66**
10/07	24,70
11/07	**22,57**
12/07	22,00
1/08	**20,58**
2/08	19,50
3/08	**19,60**
4/08	18,79
5/08	**16,50**
6/08	11,40
7/08	**13,20**
8/08	9,73
9/08	**6,50**
10/08	3,49
11/08	**4,18**
12/08	4,00
1/09	**4,39**
2/09	3,34
3/09	**3,90**
4/09	4,25
5/09	**4,96**
6/09	5,39
7/09	**6,00**
8/09	5,99
9/09	**7,80**
10/09	7,91
11/09	**6,95**
12/09	7,90
1/10	**7,53**
2/10	6,75
3/10	**7,03**
4/10	7,72
5/10	**7,24**
6/10	6,36
7/10	**7,05**
8/10	6,45
9/10	**7,84**
10/10	10,22
11/10	**12,75**
12/10	13,63
1/11	**12,48**
2/11	10,99
3/11	**10,47**

Date	Edenor Price
4/11	10,42
5/11	**8,61**
6/11	10,02
7/11	**9,80**
8/11	7,66
9/11	**6,10**
10/11	8,05
11/11	**6,45**
12/11	5,26
1/12	**6,39**
2/12	5,45
3/12	**3,85**
4/12	2,75
5/12	**2,30**
6/12	2,00
7/12	**2,55**
8/12	2,36
9/12	**2,15**
10/12	1,90
11/12	**1,99**
12/12	1,95
1/13	**2,83**
2/13	2,06
3/13	**2,48**
4/13	2,09
5/13	**2,49**
6/13	2,03
7/13	**1,95**
8/13	2,21
9/13	**4,40**
10/13	4,99
11/13	**8,79**
12/13	5,06
1/14	**5,15**
2/14	6,36
3/14	**7,40**
4/14	9,24
5/14	**9,79**
6/14	12,62
7/14	**14,55**
8/14	10,32
9/14	**11,12**
10/14	12,31
11/14	**12,24**
12/14	9,37
1/15	**10,00**
2/15	13,32
3/15	**16,16**
4/15	14,24
5/15	**14,57**
6/15	12,93
7/15	**12,95**
8/15	13,11
9/15	**12,79**
10/15	13,00

Edenor Stock Price evolution since 4/07 IPO in NYSE.

Appendix 18

Cash flow generation - Integral Tariff Review (RTI) conducted

- Base case

The tariff charged to residential customers has been frozen since 2008. For the base case scenario we consider that the tariff structure will remain with no modifications and government intervention with subsidies will be mandatory to enable the company still running.

- Normalized case

As a new president is going to be elected in Argentina and current fiscal deficit will not allow to keep on carrying subsidies to Edenor (recall the three components, lowest electric tariffs of Argentina, in the richest area, subsidized by a government with mounting fiscal deficits) and with , , we considered that the RTI process will take place. In that case EDN can start generating Operating Cash Flows because of its leading position. Thus the company will restore its financial health, becoming less dependent on state aid received in the form of grants and debt forgiveness, and more in makets mechanisms.

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