



CFA Institute

CFA Institute Research Challenge

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CFA Society of Argentina & Uruguay

EDENOR [Argentina, Equity, Utilities, Electricity]

Empresa Distribuidora y Comercializadora Norte S.A.

Ticker: EDN: US (Bloomberg)
Exchange: NYSE

Current Price: USD 17.94 (11/06/15)
Target Price: USD 12.60

Recommendation: SELL
Upside: -30%

Market Profile

52-Week Range(USD)	19.20 - 8.90
Average Volume (TTM)	67,267
30-Day Average Volume	86,213
YTD Return	96.1%
Outstanding ADRs (M USD)	45.2
Market Cap (M USD)	811.3
Free Float	22.2%

Valuation Ratios

P/E (TTM)	11.7
P/BV (MRQ)	9.6
EV/EBITDA	6.5

Financials

Revenue (USD M) (TTM)	371
EBITDA (USD M) (TTM)	144
EBITDA w/o Subs	-267
EBITDA Margin (TTM)	38.7%
EBITDA Margin w/o Subs (TTM)	-0.7
Earnings (USD M) (TTM)	66.8
Earnings w/o Subs	-320.4
EPS (USD) (TTM)	1.5

Figure: 1; Source: Team estimates based on data from Thompson Reuters.

Merval vs EDN's ADR

USD Variation; Jan 2014=100

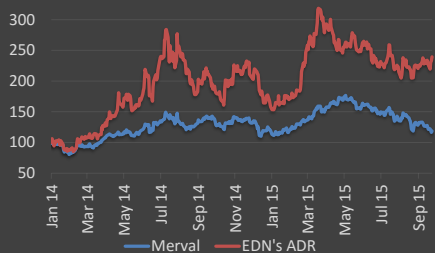


Figure: 2; Source: Team estimates based on data from Thompson Reuters.

Target Prices vs Historical Quotes



Figure: 3; Source: Team estimates.

HIGHLIGHTS

- Empresa Distribuidora y Comercializadora Norte S.A., Edenor (Buenos Aires: EDN; NYSE: EDN), is the largest electricity distribution utility in Argentina, responsible for over 20% of total electricity consumed in the country.
- Founded in 1992 as a result of a wide privatization process, EDN's 95-year concession extends along the North West of the Buenos Aires City and its surroundings, an area with the country's highest per capita income.
- 51% of the company is owned by EASA. In 2007, EASA was acquired by Pampa Energía (NYSE: PAM), the largest fully integrated electricity company in Argentina, with stakes also in generation and transmission companies.
- EDN acquires energy at government-established prices from a semipublic market intermediary, CAMMESA, and sells electricity at regulated rates. Since the 2001-02 crisis in Argentina, the electricity sector has seen considerable regulation, with almost-flat rates in a context of escalating inflation and devaluation.
- Although, in 2005, EDN signed an Adjustment Agreement with the National Energy Office, which envisaged a whole revision of rates and a regular compensation for higher costs, such an adjustment was only partially applied. In addition, this did not come in the form of a permanent rate increase, but as a one-off recognition of higher costs, which the company was allowed to offset against debt accumulated with CAMMESA and the national government.
- EDN's debt with CAMMESA, which is shown as Trade Payables in its financial statements, has surged 1,300% in the last five years to USD 384 million. The debt-to-equity ratio including obligations with CAMMESA stands at 5x, compared to 1.6x if only financial debt is considered (mainly two notes due 2017 and 2022 for an outstanding amount of USD 187 million).
- The above-mentioned scheme has left EDN increasingly dependent on government subsidies, which accounted for 63% of FY14 revenue. Since 2012, the national government has also undertaken much of CAPEX requirements, which, by contract, should be in the hands of EDN.
- The complexity of ever-changing regulation, which in many cases affect previous financial statements, raises corporate governance issues for the minority shareholder. In addition, EDN pays EASA an annual Financial Services fee for USD 2.5 million, which could be considered a dividend paid only to majority shareholders.

VALUATION OUTCOME AND RECOMMENDATION

- Subsidies to the energy and transport sectors, which account for 5% of GDP, have pushed the national government to escalating fiscal imbalances. We expect the next administration (to take office on December 10, 2015) to implement necessary rate adjustments and subsidy cuts in the electricity sector. The pace of these changes, however, will depend on a great extent on who gets elected in the upcoming November 22 presidential runoff: Macri or Scioli.
- In view of this, we developed four DCF scenarios –shock, change, gradual, no change– and a nationalization scenario, and obtained a target price for each, ranging from USD 3.20 (back to 2013 market values) to USD 17.60 (close to current market values). After weighting each target by its probability of occurrence (conditional on Macri or Scioli winning the elections), we arrived at a final target price of USD 12.60 per ADR, issuing a SELL recommendation on EDN.
- We applied a FCFE approach so as to reflect expected changes in debt issuance to repay CAMMESA's debt. To compute the cost of equity, we combined two alternative models developed for emerging markets, which include an inflated EMBI+ factor to account for increased political and regulatory exposure and corporate governance issues. We also applied two mean-reversion models to include expected changes in the Fed's rate and Argentinean country-risk figures.
- Sensitivity analysis, relative valuation, and Monte Carlo simulations yielded consistent results.

Revenue Composition

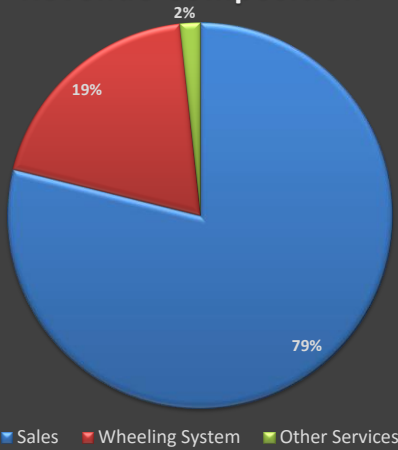


Figure 4; Source: Company data, 2014.

Customers participation in GWh sales

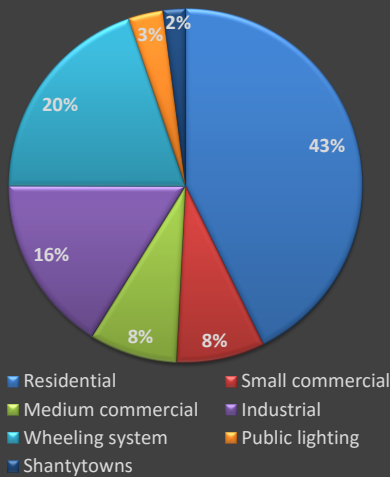


Figure 5; Source: Company data, 2014.

Stock Ownership

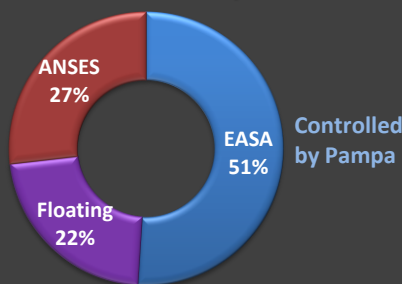


Figure 6; Source: Company data.

Energy Costs

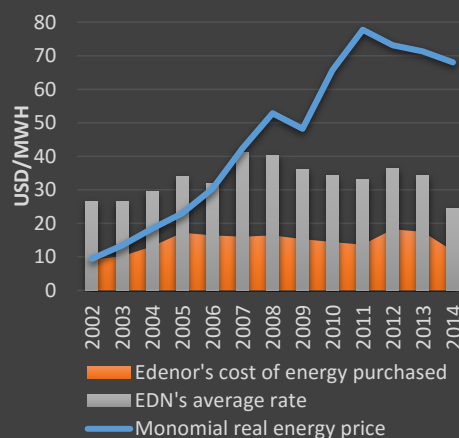


Figure 7; Source: CAMMESA.

BUSINESS DESCRIPTION

EDN is the largest electricity distribution utility in Argentina. The company's market share accounts for 21.4% of total GWh consumed in Argentina. It serves nearly 2.8 million clients –20.7% of countrywide electricity consumers–, over an area of 4,637 km² located in the North West of the Buenos Aires City and its surroundings.

EDN was established in 1992, as a result of the privatization process of the electricity sector, operating under a 95-year Concession Agreement, which can be renewed.

The company's core business (close to 80% of revenue) consists of the sale and distribution of electricity previously acquired from a semipublic market intermediary, CAMMESA. All prices are highly regulated. Customers can be divided into residential, small firms, medium-sized firms and industrial firms, besides public lighting. The residential segment accounts for over 40% of the company's sales measured in GWh. Another 20% of revenue stems from the distribution of electricity to large users (known as wheeling system), who purchase energy directly from CAMMESA in the Wholesale Electricity Market (WEM).

Among other obligations in the Concession Agreement, EDN has to comply with certain quality standards, being responsible for all necessary investments to meet demand.

Since the crisis of 2001–02 in Argentina, the price of electricity, gas, water and other public services has remained under considerable regulation, reason why utilities like EDN have become increasingly dependent on government subsidies.

Stock Ownership: EDN's stock is divided into three Classes. The Class A shares, which represent 51% of EDN's capital, are entirely owned by Electricidad Argentina S.A. (EASA; Buenos Aires: EASA), which acquired them in the 1992 privatization. The remaining shares are mostly Class B shares, which quote publicly on the Buenos Aires Stock Exchange and the NYSE; 55% of the Class B shares (27% of EDN's total capital) is owned by the National Pension Fund, ANSES, who acquired them in the nationalization of the pension fund system in 2008. The remaining Class B shares (22% of EDN's total capital) are free float. The Class C shares, which account for 0.2% of EDN's capital, are owned by the company's employees.

Since 2007, EASA is controlled by Pampa Energía (NYSE: PAM), the largest fully integrated electricity holding in Argentina, which also holds stakes in generation and transmission companies; it controls Transener (Buenos Aires: TRAN) –responsible for 95% of electricity transmission in Argentina–, and owns stakes in six generation plants located in the Provinces of Buenos Aires, Salta, Mendoza, and Neuquén.

MANAGEMENT AND CORPORATE GOVERNANCE

Pampa Energía is controlled by Marcelo Mindlin (27% stake). He is also Board Member of Pampa Energía, and CEO of Petrolera Pampa, the oil & gas company of the holding. Previously, Mindlin was Vice President and CFO of IRSA (NYSE: IRS), one of Argentina's main real estate and shopping mall companies. He is a renowned businessman in Argentina and in the Jewish community. Mindlin acquired EDN from Electricite de France at USD 100 million, when at that time the company was valued at USD 1.2 billion.

The complex and ever-changing regulatory framework can complicate the minority shareholder's understanding of EDN's financial statements and its true fundamentals. In recent years, the company has paid EASA an annual Financial Services fee for USD 2.5 million, which could be considered a dividend paid only to majority shareholders, raising corporate governance issues.

INDUSTRY OVERVIEW AND COMPETITIVE POSITIONING

Industry Structure: A series of economic and financial crises, escalating sovereign debt, recurring fiscal imbalances, and high inflation –including two episodes of hyperinflation in 1989 and 1991– led to drastic changes in economic policies during the 90s. Carlos Menem, President from 1989 through 1999, pegged the Argentinean peso to the US dollar on a 1:1 ratio, and conducted a colossal privatization process across different sectors of the economy, including utilities, oil & gas, and the pension fund system.

Comparison With Edesur

Figures in USD million	Edenor	Edesur
Concession Area Km2(Miles)	4,637 (2,880)	3,302 (2,051)
Number of Clients	2.8 million	2.5 million
Sales	421	372
EBIT	-29.6	-92.54
Net Income	-91	-159

Figure: 8; Source: Company's financial statements, 2014.

Comparison with Latin American Distribution Companies

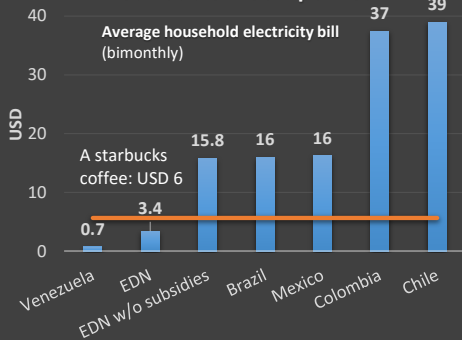


Figure: 9; Source: Team estimates with company data and Energy and Mining Investment Supervisor Organism, 2014.

Porter's Five Forces Analysis

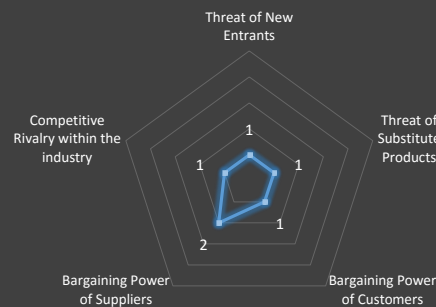


Figure: 10; Source: Team elaboration; see Appendix III for further details.

In the case of the electricity sector, the Electricity Regulatory Framework, enacted in 1992, divided the industry into three activities: generation, transmission, and distribution. The last two are considered natural monopolies, and, as such, require the grant of a concession and vast government regulation.

The 1992 Electricity Regulatory Framework implied the creation of a wholesale market, managed by CAMMESA, whose main role is to act as a market intermediary, assuring supply stability and regulating prices. The national government owns 20% of CAMMESA; the remaining 80% is held by the different market participants of the electricity sector.

Regulation mandates that generation companies sell the energy to CAMMESA, who then sells it to distribution companies like EDN. In the past few years, the transactions between EDN and CAMMESA have become one of the main mechanisms through which the national government subsidizes EDN, in the form of low-cost energy prices, and increasing debt (Figure 7).

The wholesale market is divided into a spot, forward (currently suspended), and seasonal market:

Spot Market: Generation companies are required to sell the energy to CAMMESA at a spot price, which is established based on the marginal cost of energy produced. Following the 2001-02 crisis, spot prices are calculated based solely on the price of natural gas, which is established by the national government. Even if a generation plant uses more expensive fuels, it can only charge a price relative to this fictitious cost, resulting in distorted prices. Since 2002, the theoretical cost has remained at USD 12.5 MWh, compared to a real average cost of USD 64 MWh (known as monomial price), translating into lower domestic production of energy and higher, and more expensive, energy imports.

Forward Market: Generation and distribution companies and large users were allowed to sign private agreements for the purchase of energy. Since 2013, pursuant to Resolution 95/2013, transactions in the forward market have been suspended, and all market participants are required to buy energy from CAMMESA.

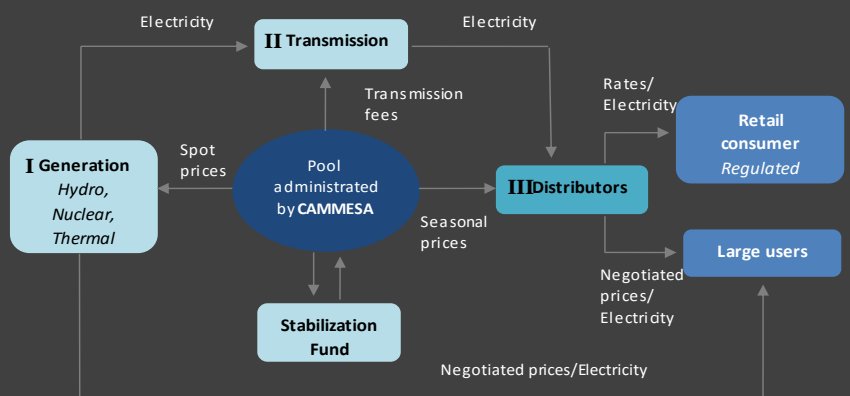
Seasonal Market: Distribution companies acquire the energy from CAMMESA at a seasonal government-established price, which can be different among distribution companies. CAMMESA manages a stabilization fund, which absorbs the price gap between the seasonal price and the spot price paid to generation companies. This fund has run at a substantial deficit in the recent past, which has been covered with subsidies.

Competitive Positioning: EDN owns a natural, and legally defined, monopoly, with the exclusive right to supply electric power within the limits of its geographical concession, and hence does not have direct competitors. However, EDN can be compared with Empresa Distribuidora Sur (Edesur), with a distribution concession over the Southern area of the Buenos Aires City and its surroundings. Both companies suffer similar financial and regulatory issues (for more on this see Figure 8).

EDN compares negatively to its local peers in terms of the implicit sales price per GWh measured in USD. The comparison is depicted in Figure 19 in the Investment Summary section.

As shown in Figure 9, EDN lies well below other Latin American distribution companies, in terms of average household electricity bill. EDN's average consumer spends a subsidized amount of USD 3.4 in electricity every two months, while the average consumer in Brazil and Mexico pays 5 times more, and 10 times more in Colombia and Chile. In recent years, the government eliminated the subsidy to high-income households (7% of EDN's client base), who spend USD 15.8.

Industry Structure



Main Market Players

I	II	III
Yacyreta	Transener	Edenor
Duke Energy	Transba	Edesur
Salto Grande	Transnoa	Edemsa
Comahue	Transnea	Edelap
AES Generation	Trans Comahue	Edea

Figure: 11; Source: Team elaboration.

Summary of Resolutions

Resolutions	
Adjustment Agreement 2005	Renegotiation of the Concession Agreement set forth in 1992. A Comprehensive Rate Revision (CRR) process is established, along with a Cost Monitoring Mechanism (CMM).
Res. 347/12	Authorized distribution companies to collect a fixed charge meant to cover infrastructure and maintenance investments through the FOCEDE Fund.
Res. 250/13	Applied the CMM adjustments for the period 2007-2014 compensated to the company through PUREE, CAMMESA credits and FOCEDE.
Res. 32/15	The Federal Government provides an additional income on account of the CRR and the remaining adjustments by the CMM are implemented the same way as in Res. 250/13.

Figure: 12; Source: Team elaboration.

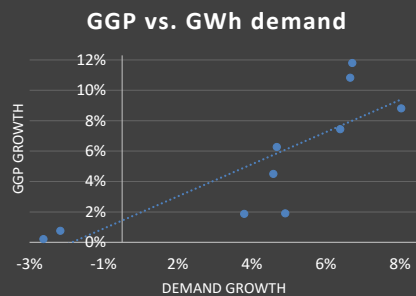


Figure: 13; Source: Company data and National Bureau of Statistics.

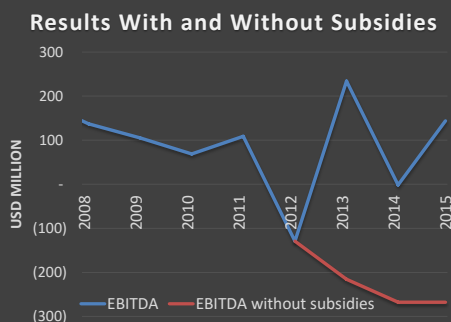


Figure: 14; Source: Company data.

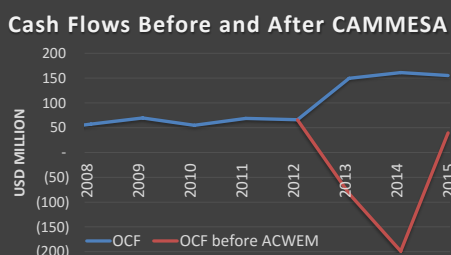


Figure: 15; Source: Company data.

REGULATION

Regulatory Entities: The National Energy Office is the principal authority in the energy market. Its main objective is the development of long-term policies in terms of investment and supply of electric power, and it is also responsible for granting concessions.

The National Electric Regulatory Authority, under the wing of the National Energy Office, is responsible for regulating and controlling the transmission and distribution activities, and setting market prices.

Public Emergency Law –enacted in 2002 in the midst of the Argentinean crisis, and recently extended until December 2017– converted all utility rates to Argentinean pesos and removed adjustment policies. Prior to the enactment of this Law, EDN's rates were set in US dollars and adjusted by US inflation.

The 2005 Adjustment Agreement, signed between EDN and the national government, stipulated a Comprehensive Rate Revision (CRR), which would include a whole review of rates. The Agreement also envisaged a Cost Monitoring Mechanism (CMM), which consisted of a rate adjustment every six months to compensate for higher costs, establishing that a variation exceeding 5% would be passed-through onto rates. However, neither the CRR nor the CMM were timely implemented.

In 2012, the **347/12 Resolution** created the FOCEDE, a fund dedicated to finance CAPEX needs of EDN and Edesur. The FOCEDE is financed with a special charge included in the electricity bill.

In 2013, the **250/13 Resolution** allowed the cost recognition envisioned in the CMM for the 2007–2014 period. Such resolution authorized EDN to retain as own income what until then had been registered as PUREE payables. The PUREE is an additional rate charged to customers who consume more energy on a year-over-year comparison. The income collected under this concept was to be transferred to a fund with investment purposes. The 250/13 Resolution, however, enabled EDN to use the PUREE payables against the CMM receivables, FOCEDE, and energy purchases from CAMMESA.

In 2015, the **32/15 Resolution** granted EDN a one-off income increase, on account of the CRR, for it to cover operation expenses and afford CAPEX needs. The additional income, which was transferred by the national government, was computed as the difference between a theoretical (higher) rate schedule and the current (lower) rate schedule. This resolution also allowed for a second compensation related to the CMM, similar to the one implemented by the 250/13 Resolution. Pursuant to 32/15 Resolution, EDN is not allowed to distribute dividends.

FINANCIAL ANALYSIS

Sales: EDN's sales have grown at an annual average of 2.3%, measured in GWh, in the last five years. This compares with a 1.7% drop in sales in FY14, following slack economic growth.

Electricity demand has proved to have a high correlation with the Gross Geographic Product –i.e. the local GDP– of the Buenos Aires City. Climate change and higher temperatures also play their part, leading to increasing electricity consumption for cooling purposes. We ran a linear regression model between the City's GGP and temperature variation against EDN's sales. All results obtained, including statistics parameters, p-values and R^2 were satisfactory (for more on this see Appendix X).

The effect of population growth on energy demand is small, with 99.8% of Argentina's population already connected to the electric grid.

Government Subsidies: EDN's inability to face its operating costs and investment needs has pushed the company into increasingly relying on government relief. Hence, company fundamentals before and after subsidies vary greatly.

In 2013 and 2014, EDN received subsidies in the amounts USD 487 million and USD 284 million, respectively, to account for accumulated cost increases (see discussion on CMM in the Regulation section). About 40% of these subsidies were used to cancel PUREE payables, while the remaining 60% was used to offset debt with CAMMESA. In 2015, EDN received an additional USD 213 million subsidy.

Profitability With and Without Subsidies: EBITDA was negative at USD 1.8 million in FY14, compared to a positive EBITDA of over USD 150 million in FY13. This was the result of Operating Expenses growing 38% in FY14 (measured in ARS), versus a mild 5% increase in revenue. The EBITDA margin dropped from 44% in FY13 to a negative -0.4% in FY14. If we exclude subsidies, EDN's already-poor figures worsen to a negative EBITDA of USD 268 million in FY14.

Outstanding Corporate Bonds



Figure 16; Source: Company data, June 2015.

Financial Debt

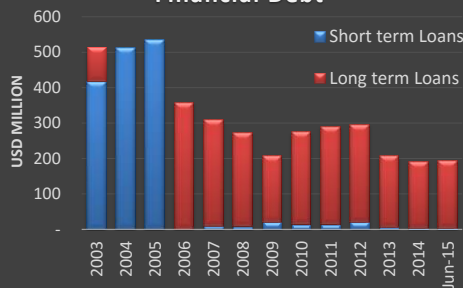


Figure 17; Source: Company data.

EDN and Edesur Concession Area

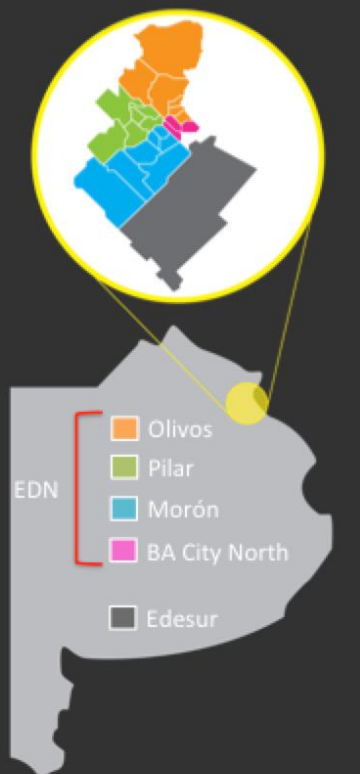


Figure 18; Source: Company data and team elaboration.

On a year-to-date (YTD) basis (until June 2015), operating expenses also outpaced revenue growth (23% versus 10%). Although EBITDA was positive at USD 126 million, it turns into a negative EBITDA of USD 131 million after excluding subsidies, also impacting margins. (Appendix IX)

Similar comparisons can be made in terms of Net Income, Net Margin, ROA, and ROE, which are summarized in the chart.

Profitability Ratios

USD Million	2012	2013	2014	2015F	2016F	2017F	2018F	2019F	2020F
Profitability									
Revenues	605.2	527.6	420.8	373.9	832.8	1232.7	1585.5	1792.9	2094.0
EBITDA	-129.3	234.1	-1.8	108.0	241.0	222.6	200.4	231.4	269.2
EBITDA w/o Subsidies	-129.3	-215.7	-267.5	-298.9	73.5	164.6	162.5	194.2	231.2
EBITDA Mg	-21.4%	44.4%	-0.4%	28.9%	30.2%	20.2%	14.2%	14.3%	14.2%
EBITDA w/o Subs Mg	-21.4%	-40.9%	-63.6%	-79.9%	-1.4%	6.8%	5.7%	6.8%	7.6%
Net Profit Mg	-34.1%	22.5%	-21.7%	5.6%	12.9%	8.4%	4.7%	4.5%	4.9%
Net Profit w/o Subs Mg	-34.1%	-62.8%	-84.8%	-105.9%	-25.3%	-7.3%	-3.9%	-3.1%	-1.7%
ROA	-14.7%	10.6%	-9.0%	2.0%	10.3%	8.1%	5.0%	5.3%	6.2%
ROA w/o Subsidies	-14.7%	-29.8%	-35.4%	-38.1%	-9.5%	1.3%	1.1%	1.5%	2.6%
ROE	-242.3%	65.7%	-202.5%	35.4%	65.9%	41.5%	24.5%	24.3%	24.8%
ROE w/o Subsidies	-242.3%	-183.7%	-792.6%	-664.3%	-102.2%	-7.8%	-0.9%	0.2%	2.9%

Source: Team estimates and EDN's Financials Statements

Indebtedness: EDN's financial debt is fully USD-denominated. This translates into strong foreign exchange rate exposure, which in the recent years has implied an increase in the company's debt measured in ARS (+21% in FY14, +7% YTD 2015), in spite of debt buybacks. (Appendix IX)

EDN has two series of corporate bonds: the 10.5% Class 7 Note due 2017, for an outstanding amount of USD 14.8 million (17.7% YTM); and the 9.75% Class 9 Note due 2022, for an outstanding amount of USD 172.2 million (13.4% YTM). Both notes repay principal fully at maturity. (Appendix IV)

The context of frozen rates and increasing operating costs has widened the gap between EDN's income and expenditures over the years, pushing the company to heavily rely on government subsidies and increase its debt with CAMMESA. As a result, CAMMESA has become EDN's main creditor, with a total outstanding amount of USD 384 million, which doubles the outstanding amount of financial debt (USD 187 million). Although EDN's financial statements show CAMMESA's debt within the line of Trade Payables, we believe this debt has a financial nature. The ratio of commercial interest expenditures over Trade Payables yields an implicit interest rate of 13.5% (in ARS) on CAMMESA's debt.

EDN's debt ratios change dramatically when we include CAMMESA's debt. As of June 2015, while the debt-to-equity ratio without CAMMESA's debt stands at 1.6x, the same ratio jumps to 5x when the latter is included. The debt-to-EBITDA ratio (including subsidies) climbs from 1.4x to 4.4x under a similar comparison. The changes in EBITDA calculation when excluding subsidies also impact indebtedness ratios, pushing both debt-to-EBITDA ratios to negative figures, as shown in the chart.

Interest coverage with operating profit (EBIT) stood at 7.2x on a YTD basis, turning to a negative ratio of -17.9x after excluding subsidies.

Debt Ratios

USD Million	2012	2013	2014	2015F	2016F	2017F	2018F	2019F	2020F
Total Debt	295.6	207.1	190.9	195.3	195.3	195.6	381.9	534.1	537.0
Net Debt	280.5	136.6	140.2	132.2	110.7	98.1	266.5	407.7	386.9
Including CAMMESA									
Total Debt	434.1	480.3	549.9	524.2	549.4	588.2	747.3	854.6	904.0
Net Debt	419.0	409.8	499.2	461.1	464.7	490.6	631.9	728.2	753.9
Financial Leverage									
Debt/Equity	2.97	1.15	4.24	3.28	1.47	0.96	1.49	1.74	1.37
With CAMMESA	4.36	2.66	12.21	8.80	4.16	2.87	3.05	2.84	2.33
Debt/EBITDA	-2.29	0.88	-105.32	1.81	0.95	0.96	2.09	2.37	2.03
With CAMMESA	-3.36	2.05	-303.36	4.85	2.69	2.87	4.17	3.80	3.40
Debt/EBITDA w/o Subs	-2.29	-0.96	-0.71	-0.65	-0.51	0.78	1.71	1.59	1.27
With CAMMESA	-3.36	-2.23	-2.06	-1.75	-0.86	2.60	3.20	2.59	2.15
Coverage Ratios									
EBIT/Int	-6.43	7.43	-1.63	2.14	3.14	2.73	1.81	1.78	1.99
EBIT/Int w/o Subs	-6.43	-9.14	-16.26	-9.38	0.67	1.91	1.30	1.39	1.61

Source: Team estimates and EDN's Financials Statements

Liquidity: In the past years, liquidity ratios dropped continuously as a consequence of the increasing current liabilities, which grew 55% and 32% in FY13 and FY14, respectively, mainly due to the commercial debt with CAMMESA. Current assets increased 48% and 12% under a same comparison.

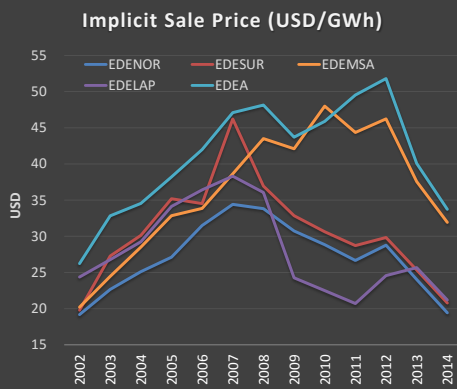


Figure 19; Source: Electric Energy Distribution Association (ADEERA).

Costs & Income Comparison in ARS since 2002	
CPI	1136%
Salaries Index	1410%
Monthly Exploitation Expenses per Client	1296%
Transmission and Distribution Expenses	903%
Average Cost of Energy Purchased	306%
Average Rate Charged \$/Mwh	159%
DVA (Distribution Added Value)	64%

Figure 20; Source: Team estimates with company data and National Bureau of Statistics.

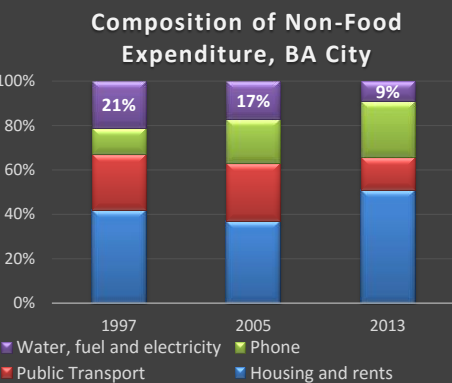


Figure 21; Source: National Bureau of Statistics, Urban Household Survey.

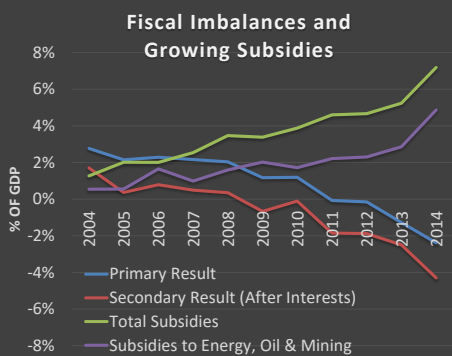


Figure 22; Source: Ministry of Finance.

Note on Forecasted Figures: We expect EBITDA, Net Income, profitability ratios, and indebtedness figures to follow a gradual normalization trend, as rate adjustments and subsidy cuts are implemented in the upcoming years. The pace at which this will happen differs upon each forecasted scenario. Future estimations shown in the chart are the result of our weighted-average valuation exercise (weighted by probability of occurrence of each scenario), as explained in more detailed in the Valuation section.

INVESTMENT SUMMARY

We issue a SELL recommendation on EDN with a target price of USD 12.60 per ADR using a Discounted Free Cash Flow to Equity method and considering different political and regulatory scenarios. This suggests an ADR value 30% below its current market price.

Frozen Rates in an Inflationary Context and Pushing Labor Unions: Electricity rates have remained almost unchanged since the 2001-02 Argentine crises and are subject to discretionary government adjustments. Measured in USD, electricity rates even declined from USD 30 in 2010 to a current value below USD 20. At the same time, EDN's operating expenses have grown at an annual average rate of 37% in the last five years. Double-digit inflation (estimated at 25% for 2015) and strong labor union demands to raise salaries above the CPI have compromised EDN's operating margins. Salaries accumulated a 1,410% increase since 2002, compared to a 1,136% variation of the CPI (computed with data from the national statistics agency, INDEC, until 2007, when the agency was intervened, and with data from the Buenos Aires City's statistics agency since then). In contrast, EDN's rates and Distribution Added Value (the operation cost, excluding energy purchases, that EDN is allowed to pass-through on to customers) followed a very different path, rising 159% and 64% since 2002, respectively. As discussed in the Financial Analysis section, EDN's operational figures greatly deteriorate after excluding subsidies.

The Political Side of Low Utility Rates: The national government has kept utility rates and public transport prices almost unchanged for over a decade. Aggregated non-food expenditure in the Buenos Aires City allocated to water, fuel and electricity has decreased from a 21% to 9% in the last 15 years (Figure 21). Today, the average household spends USD 3.4 every two months on electricity, while a regular "Latte Venti" coffee at Starbucks costs USD 6. This way, utility companies such as EDN have become heavily dependent on government aid.

With higher spending in social plans, payroll, and subsidies, the national government has run into increasing fiscal imbalances in the recent past. Subsidies include low rates charged to users, and funds transferred to the concession companies in order to survive the rate freeze in an inflationary context. Subsidies to the energy, oil and mining sectors account for 5% of GDP and 68% of total subsidies. The primary fiscal deficit (before interest expenditures) climbed to 2.4% of GDP in 2014 from 1.3% in 2013. The secondary result (after interests) rose to 4.3% in 2014 from 2.5% in the previous year (Figure 22).

The gap between inflation and a slower devaluation pace has also translated into a worsening of the real foreign exchange rate and the trade balance. The inflationary context has also led to declining credibility in the domestic currency and a higher demand for USD; capital controls were introduced in late 2011. Since then, the level of Central Bank international reserves had plummeted from over USD 50 billion in mid-2011 to under USD 27 billion these days.

Rate Adjustments and Subsidy Cuts Expected in 2016: After years of growing fiscal imbalances, the national government is expected to allow for a rate adjustment and subsidy cut in early 2016, after the new administration takes office on December 10, 2015. The pace of these changes, however, will depend on a great extent on who gets elected in the upcoming November 22 presidential runoff.

Mauricio Macri, Mayor of the Buenos Aires City and leader of the opposition against the current President, obtained above-than-expected public support, in spite of coming second (35% of votes) in the October presidential elections. Recent polls put him ahead in the upcoming runoff against his contender Daniel Scioli, Governor of the Buenos Aires Province and backed by the current administration. Macri is expected to implement market-friendly economic policies and raise utility rates.

Our valuation exercise models several scenarios with different rate adjustments and subsidy cuts, conditional on Macri or Scioli winning the elections. We assign a 60% chance of him becoming Argentina's next President. However, all scenarios considered result in target prices below the current market prices, leading to a strong SELL recommendation.

Implicit Demand Curves: Edenor

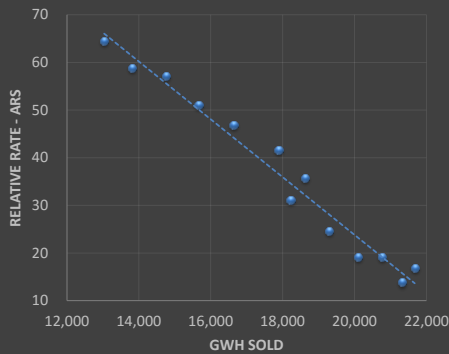


Figure 23; Source: Electric Energy Distribution Association (ADEERA).

EDN's ADR Quote

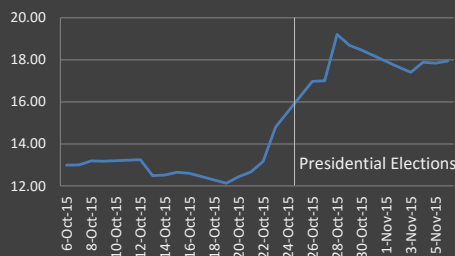


Figure 24; Source: Thompson Reuters.

 K_E Composition

ERP	5.84%
Risk Free Rate (10yr)	2.20%
EMBI+ Argentina	550
(1-Correlation Coefic)	0.40
Volatility Ratio	2.8
EMBI+ Adjustment	1.65
Modified Beta	1.12
K_E	17.80%

Figure 25; Source: Team estimates.

Current EMBI+ Multiplier	
Value Ranges from 0 to 20	
0 = Null Exposure to Risk	
20 = Full Exposure to Risk	
Risk	EDN's Value
Limited Access to the Financial Market	10
Political Risk	20
Labor Union Power	16
Domestic Economy Dependency	20
Sum	66
Multiplier (Sum / 40)	1.65

Figure 26; Source: Team estimates.

Market Overreaction to Presidential Elections Outcome: Macri's unexpected good performance has brought hyperbolic euphoria in the financial markets. EDN's stock price was no exception, surging 60% in less than two weeks, and reaching a 7-year high of USD 19.21 only three days after the elections. We consider this to be an exaggerated price rise.

Weakening Electricity Demand: The above-mentioned need to reduce government spending could lead to weakening GDP growth and, hence, shrinking electricity demand. Both variables have proved to be highly correlated as discussed in the Financial Analysis section. Moreover, as shown in Figure 23, the price elasticity of demand also suggests a possible contraction in electricity consumption as the rate increases. (Also see Appendix I – Elasticity)

Corporate Governance Issues: The complexity of EDN's financial statements, and the ever-changing (and sometimes unclear) resolutions, could translate into a difficult understanding of the company's economic and financial situation for the minority shareholder. In addition, Pampa Energía's actions could undermine minority shareholder interests through inter-company transactions, like the Financial Services fee paid to EASA.

Increased Stock Price Volatility: The after-elections euphoria has brought additional volatility to EDN's stock. The company's high political exposure also adds uncertainty to its market valuation. Other issues related to stock price volatility (including devaluation) can be found in the Investment Risk section.

VALUATION

We assessed the value of EDN's stock by applying a Discounted Cash Flow (DCF) model to different scenarios. These scenarios differ on some fundamental aspects, which include the magnitude of rate increases and subsidy cuts, CAPEX requirements, and debt repayments to CAMMESA. Each scenario carries a different probability of occurrence.

For the reasons stated below, we used a Free Cash Flow to Equity (FCFE) approach. Therefore, all cash flows were discounted at the Cost of Equity (K_E). For comparable reasons, Appendix XI also presents calculations of the Cost of Debt and WACC, although these rates were not used in our valuation.

Current Cost of Equity: When calculating a company's K_E , the Capital Asset Pricing Model (CAPM) is the most standard approach. However, in the case of companies with main operations in emerging markets (EM) and in a highly regulated environments, the use of CAPM can lead to misleading results. In order to test the validity of this model, we ran 24 regressions between the S&P 500 index (as proxy of the Market Portfolio) and EDN's ADR, combining daily, weekly and monthly data with different periods. The highest R^2 obtained was 15.8%, showing a poor explanatory capacity. The resulting Betas also showed great variability, ranging from 0.78 to 2.28. (Appendix V)

Given these results, we combined two alternative models developed for EM by Goldman Sachs and SalomonSmithBarney (Appendix VIII). In our model, the K_E consists of the sum of three components:

- **Risk Free Rate (Rf):** The YTM of the 10-year US Treasury Bond was used as proxy, currently 2.2%.
- **Modified Beta Multiplied by the US Equity Risk Premium (ERP).** We computed the US ERP with data obtained from historical series provided by Kenneth French (Darmouth Collage), obtaining an ERP of 5.84% (Appendix VII). Following the Goldman Sachs approach, the Modified Beta was defined as the ratio between the standard deviations of Argentina's Merval index (σ_{ARG}) and the S&P 500 index (σ_{US}); this ratio yielded a value of 2.8. This was multiplied by a factor that eliminates the correlation between Argentina's equity and bond markets ($\rho_{E,B}$), with a value of 0.6, to prevent from double counting the risk already reflected in the CRP, as defined next. The obtained Modified Beta was 1.12.
- **Country Risk Premium (CRP).** We used JPMorgan's EMBI+ index for Argentina as proxy of the CRP, with a 2-month average of 550 bps. We adjusted the CRP by a multiplier that accounts for four main risk factors, which we consider affect EDN's stock the most. These factors are: access to the financial market (y_1); exposure to political risk (y_2); labor union power (y_3); and dependency on the domestic economy (y_4). All factors can be rated from 0 to 20, with 20 being an adverse impact, and 0 being a null effect. The sum of the four factors is then divided by 40, implying that the CRP is inflated when the average factor is higher than 10. This resulted in a CRP multiplier of 1.65 (Figures 26).

The above-mentioned model yielded a K_E of 17.80% for 2015 (Figure 25).

$$K_E = R_f + ERP * \{(1 - \rho_{E,B}) * (\sigma_{ARG} / \sigma_{US})\} + CRP$$

$$\text{With CRP} = (y_1 + y_2 + y_3 + y_4) / 40 * \text{EMBI+}$$

EMBI+ Adjustment						
	2015F	2016F	2017F	2018F	2019F	2020F
Shock	1.65	1.58	1.53	1.40	1.25	1.15
Change	1.65	1.60	1.55	1.48	1.35	1.28
Gradual	1.65	1.63	1.58	1.50	1.43	1.33
No Change	1.65	1.65	1.63	1.60	1.58	1.53

Figure: 27; Source: Team estimates.

Ke for Subsequent Years						
	2015F	2016F	2017F	2018F	2019F	2020F
Shock	17.8%	16.8%	15.7%	14.7%	14.4%	14.1%
Change	17.8%	16.9%	15.8%	15.0%	14.8%	14.6%
Gradual	17.8%	17.0%	15.9%	15.0%	15.1%	14.7%
No Change	17.8%	17.1%	16.1%	15.4%	15.6%	15.5%

Figure: 28; Source: Team estimates.

DCF Scenarios Main Assumptions

	Rate Adjustment Through 2017	Increase in Energy Costs Through 2017	Annual Average CAPEX (USD)	Annual Average Debt Stock (USD)
Shock	936%	880%	176.8	472.6
Change	850%	800%	161.3	412.6
Gradual	600%	600%	129.1	372.6
No Change	160%	140%	120.7	292.6

Figure: 29; Source: Team estimates.

Expenses

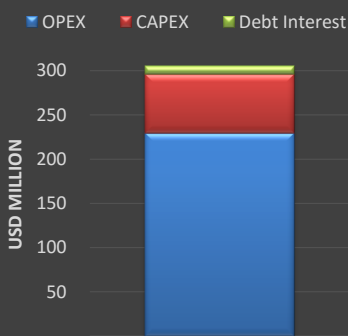


Figure: 30; Source: Company data, June 2015.

Cost of Equity for 2016 and Subsequent Years: For 2016 and beyond, we assumed an increasing Rf rate, as we expect the US Federal Reserve to gradually lift reference interest rates. This upward trend was forecasted using a Cox-Ingersoll-Ross (CIR) mean reversion model. In the case of Argentina’s EMBI+, we envisage a downward trend, and used a second CIR model to account for a gradual reversion towards its Latin American peers. This is based on our expectations of more market-friendly policies and a possible agreement with the holdouts in 2016, which, in turn, depends on who wins the upcoming presidential elections, resulting in different EMBI+ patterns for each scenario (Figure 27).

DCF Valuation: We use a FCFE model to compute EDN’s ADR value. This approach was considered the most accurate in order to account for EDN’s future cash flows in terms of debt repayments to CAMMESA. EDN’s financial statements show the debt accumulated with CAMMESA within the line of Trade Payables, and hence is included in the calculation of working capital. We expect EDN to gradually cancel this debt, as the company is granted rate increases and issues new debt in the market –how fast this happens is different in each forecasted scenario. If we were to use a Free Cash Flow for Firm (FCFF) approach, the model would not disclose in detail these expected changes.

We modelled EDN’s energy demand based on a regression between its sales and GGP growth; the regression outcome can be found in Appendix X. We then applied our own forecasts on economic growth to estimate future energy demand. The effect of climate change was included in the Terminal Value, as discussed below.

We developed four DCF scenarios –shock, change, gradual, no change–, which differ on the pace of possible rate and subsidies revisions, CAPEX requirements and debt repayments to CAMMESA. We also developed a nationalization scenario. Each scenario was given a probability of occurrence, depending on Macri or Scioli winning the upcoming presidential runoff. In each scenario, we accounted for price elasticity and the consequent reaction to rate increases. All cash flows were forecasted in ARS, and converted into USD using our own forecasts on inflation and foreign exchange rate. A complete description of the assumptions in each scenario can be found in Appendix XI.

CAPEX Requirements and Debt Repayments to CAMMESA: Today, 80% of EDN’s CAPEX requirements is carried out by the national government through the FOCEDA fund. We expect the national government to gradually transfer to EDN these CAPEX requirements, as the rate and subsidy scheme is normalized in the upcoming years. We also expect EDN to gradually cancel CAMMESA’s debt as these changes occur. The pace at which this happens is different in each scenario.

Terminal Value and Climate Change Effect: Our DCF model includes yearly forecasts through 2020. For cash flows beyond that year, we computed a Terminal Value with the usual expression. The computation of the long-term growth rate was based on EDN’s annual average sales growth in the last decade (measured in GWh), yielding a 3.8% rate. This was adjusted for the expected shift in energy demand brought by climate change. Based on data from the World Bank, temperatures in Argentina are expected to increase by an average 6% from 2020 onwards (see Appendix XIV), resulting in higher consumption of electricity for cooling purposes. As discussed in the Financial Analysis section, we have found a positive correlation between high temperatures and EDN’s revenue. We therefore raised the Terminal Value growth rate to 4% to reflect these changes.

Valuation Outcome: We obtained a different target price for each scenario, ranging from USD 3.20 (back to 2013 market values), under the ‘no change’ scenario, to USD 17.60, under the ‘shock’ scenario. In all cases price targets lied below current market values. Each scenario carries a different probability of occurrence depending on who wins the upcoming presidential elections. We therefore arrived at a different target price for Macri (USD 13.50) and for Scioli (USD 11.30). Our final target price is USD 12.60 after assuming a 60% chance of Macri being elected.

	Shock	Change	Gradual	No Change	Nationalization	
	Probability of Occurrence Under Macri					
MACRI	30%	40%	20%	3%	7%	Target 13.50
Target	17.60	13.90	9.50	3.20	9.40	60% Chance 12.60 40% Chance
SCIOLI	10%	30%	40%	5%	15%	
	Probability of Occurrence Under Scioli					

Comparables

Ticker	Country	EV/EBITDA	P/E	P/BV
EDN.US	Argentina	6.5	11.7	9.6
ENE.SN	Chile	5.8	12.8	1.5
CMIG4.SA	Brazil	3.2	2.8	0.6
CPFE3.SA	Brazil	7.8	16.5	2.1
LUZ.LM	Peru	9.5	10.4	2.6
CHL.SN	Chile	12.3	11.8	1.7

Figure 31; Source: Team estimates.

Monte Carlo Simulation

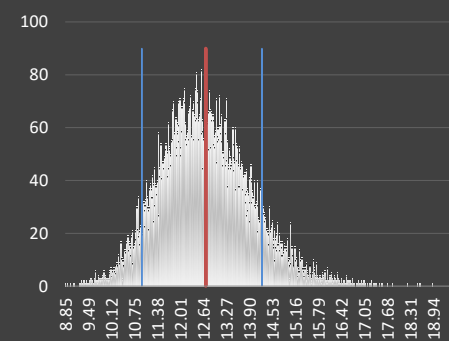


Figure 32; Source: Team estimates.

GGP Annual Growth Rate

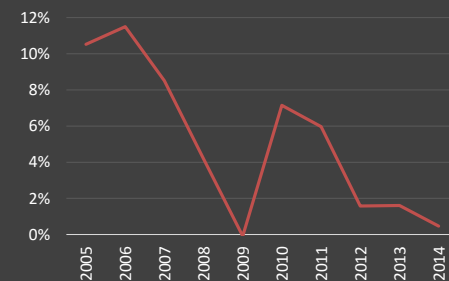


Figure 34; Source: BA City's Bureau of Statistics.

Inflation (CPI)

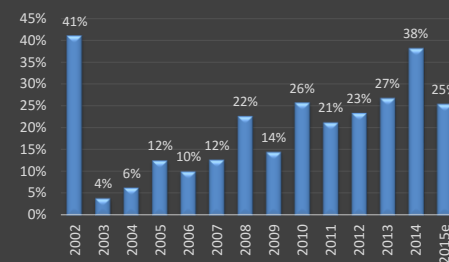


Figure 35; Source: National Bureau of Statistics until 2007 and BA City's Bureau of Statistics from them on.

Relative Valuation: As discussed above, our valuation exercise and target price are based on a DCF model. However, we also conducted a secondary multiples valuation, based on P/E, EV/EBITDA and P/BV ratios. We compared EDN's ratios with other Latin American distribution companies (Figure 31).

After weighting the three ratios, we arrived at a relative price of USD 9.1 per ADR, which is consistent with our SELL recommendation.

Sensitivity Analysis and Monte Carlo Simulation: We developed a sensitivity analysis based on changes on K_E and Terminal Value growth, which is summarized in Figure 33. K_E was allowed to range from 8% to 23%, while long-term growth was allowed to range between 0.5% to 5%.

We ran over 19,000 Monte Carlo simulations on the target price, arriving at consistent results (Figure 32).

Sensitivity Analysis

	Terminal Growth										
	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	5.0%	
12.60	8.0%	15.6	16.5	17.5	18.7	20.0	21.7	23.7	26.3	29.5	33.9
8.0%	13.6	14.2	14.9	15.6	16.5	17.5	18.7	20.1	21.7	23.7	
9.5%	12.2	12.6	13.1	13.6	14.2	14.9	15.6	16.5	17.5	18.7	
11.0%	11.1	11.4	11.8	12.2	12.6	13.1	13.6	14.2	14.9	15.7	
12.5%	10.2	10.5	10.8	11.1	11.4	11.8	12.2	12.60	13.1	13.6	
14.17%	9.6	9.8	10.0	10.3	10.5	10.8	11.1	11.4	11.8	12.2	
15.3%	9.1	9.2	9.4	9.6	9.8	10.0	10.3	10.5	10.8	11.1	
17.0%	8.6	8.7	8.9	9.1	9.2	9.4	9.6	9.8	10.1	10.3	
18.5%	8.2	8.3	8.5	8.6	8.8	8.9	9.1	9.2	9.4	9.6	
20.0%	7.9	8.0	8.1	8.2	8.4	8.5	8.6	8.8	8.9	9.1	
21.5%	7.6	7.7	7.8	7.9	8.0	8.1	8.2	8.4	8.5	8.6	
23.0%											

Figure 33; Source: Team estimates.

A Special Word on Nationalization: We considered the acquisition of 51% of EDN's equity, taking as a reference the nationalization of Argentina's main oil & gas company (YPF), which followed the valuation method established in the Expropriation Law N° 21,499. Pursuant to Article 10 of this Law, we assessed EDN's expropriation value as the sum of its fixed assets (at market value), inventories, trade and other receivables, financial assets, and cash, net of liabilities. This Law explicitly forbids the use of DCF valuation based on "hypothetical" future income.

INVESTMENT RISKS

Economic Risks

- **GDP (and GGP) Growth Decline (ER1):** GDP growth has declined over the past four years as shown in Figure 34. The delicate macroeconomic situation has led to an unavoidable fiscal adjustment, which is yet to occur. This could imply a fall in GDP (and the City's GGP) growth, one of the main drivers of energy demand, compromising EDN's sales.
- **Inflation (ER2):** High inflation (estimated at 25% in 2015, based on the Buenos Aires City's statistics agency) negatively affects EDN's profit margins by increasing operation costs, especially in a context of almost-null rate adjustments (Figure 35).
- **Debt Market Access (ER3):** Argentina's ability to obtain financing from international debt markets is limited. This may deteriorate the national economy and consequently EDN's business, as well as limit its ability to issue debt. This risk may decrease provided an agreement with holdouts is reached.
- **Currency Devaluation (ER4):** A devaluation of the Argentinean peso, expected in early 2016, could increase EDN's foreign-currency debt burden and deteriorate its ability to honor its debt.
- **Electricity Delinquency Rate (ER5):** The worsening macroeconomic conditions could lead to an increase in EDN's delinquency rates (defined as customers not paying the electricity bill).

Operational Risks

- **Increase in Energy Losses (OR 1):** Energy losses (both technical and due to customers illegally connecting to the electric grid) may increase as a consequence of insufficient CAPEX and economic slowdown, deteriorating EDN's margins.

Market Risks

- **Implicit ADR FX Rate (MR 1):** Since late 2011, the Argentinean authorities have significantly curtailed the access to the foreign exchange market. This has turned the USD-denominated Argentinean securities in a virtual vehicle to acquire foreign currency abroad, creating an implicit foreign exchange rate reflected in the ADR price. Devaluation expectations impact on this implicit foreign exchange rate, and, hence, on EDN's stock. This brings added volatility not directly linked with company fundamentals. In July 2014, after Argentina entered into default, the gap between the prices of EDN's domestic stock and its ADR increased significantly, reflecting this phenomenon, shown in Figures 36 and 37.

Political Risks

- **Capital Controls (PR1):** The afore-mentioned foreign exchange rate controls imply requiring an authorization from tax authorities to transfer funds abroad and pay principal and interest on foreign obligations. These capital controls could undermine EDN's ability to repay its outstanding notes.
- **Integral Rate Revision (PR2):** Since the 2001-02 Argentinean crisis, EDN's rates have remained almost unaltered. The rate increase mechanism envisaged in the 2005 Adjustment Agreement has been delayed ever since, driving EDN to financial imbalances and an increasing reliance on government subsidies. There is no guarantee that this rate revision will take place in the near future.

Legal Risks

- **Capital Stock Reduction (LR1):** Pursuant to Article 206 of the Argentinean Corporations Law, a company is required to reduce its equity if losses exceed reserves plus 50% of its book-value capital stock for any given fiscal year, unless it receives a capital contribution or expects future revenues. Furthermore, by Article 94, EDN would be required to dissolve and liquidate if the shareholders equity becomes negative.

Regulatory Risks

- **Impact on Purchasing Costs (RR 1):** Purchases of energy in the wholesale market are highly regulated. In particular, gas prices are artificially kept flat in order to control generation costs. A change in this policy could negatively affect EDN's costs.
- **Concession Maintenance (RR 2):** The national government is empowered to penalize EDN by withdrawing its concession when the company fails to comply with its commitments.
- **Operational Fines (RR 3):** EDN is subject to fines and penalties whenever a service disruption takes place, even if the company is not responsible for this.

Labor Union Risks

- **Labor Union Empowerment (LUR 1):** EDN employs a unionized and strong labor force, with 87% of employees affiliated to the Luz y Fuerza labor union. EDN could be subject to organized labor actions, including strikes and salary demands above the market average. Unionized workers could also oppose technology enhancements that would imply a replacement of human workforce.

All investment risks are summarized in a Risk Matrix (Figure 38).

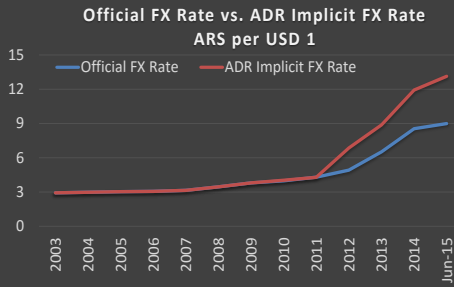


Figure 36; Source: Argentinean Central Bank and team estimates.

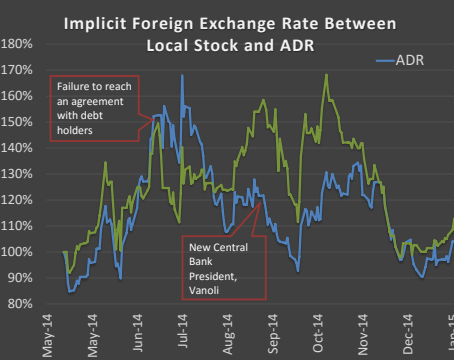


Figure 37; Source: Thompson Reuters and team estimates.

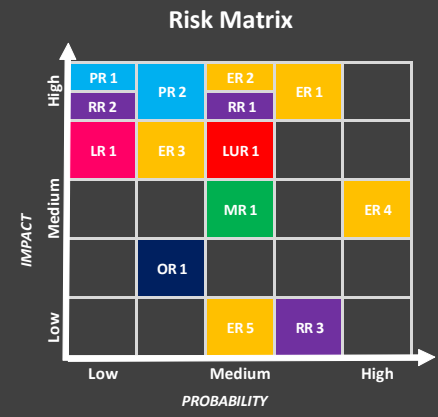


Figure 38; Source: Team elaboration.



Appendix

Glossary

BTU: British Thermal Unit

CAMMESA: Administrative Company of the Wholesale Electric Market.

CAPEX: Capital Expenditures

CMM: Cost Monitoring Mechanism

CRR: Comprehensive Rate Revision

EMBI+: Emergency Market Bond Index

FOCEDE: Works of Consolidation and Expansion of Electricity Distribution Fund.

GWh: Gigawatts per hour

Holdouts: Argentinean debt holders who did not accept 2005 and 2010 sovereign debt swaps.

Km²: 1 square mile equals 2.6 square kilometers.

MWh: Megawatts per hour

PUREE: Program for the Rational Use of Electric Energy

WEM: Wholesale Electric Market

Wheeling System: Distribution fee charged to big users, who directly acquire energy from the WEM

YTM: Yield To Maturity

Appendix I - Industry Composition and Generation Characteristics

Generation: The three main energy production sources in Argentina are geothermal power (with a share of 64% in electricity generation), hydroelectric power (31%) and nuclear power (4%) as seen in Figure A1. The most important inputs for geothermal power production is natural gas, gas oil, and fuel oil.

Transmission: The electricity transmission sector is divided into six geographical areas: Buenos Aires, North West, North East, Patagonia, Cuyo, and Comahue. Together they make up the Argentinean Interconnection System, which collects and distributes the generated electric power for a total of 23,300 MW. In the case of the Buenos Aires City, the main transmission company is Transener, controlled by Pampa Energía.

Distribution: The main companies operating in the electricity distribution sector in the Buenos Aires City are EDN and Edesur. At a provincial level, the main distribution companies are Edelap (La Plata City), EPEC (Córdoba Province), and EPE (Santa Fe Province).

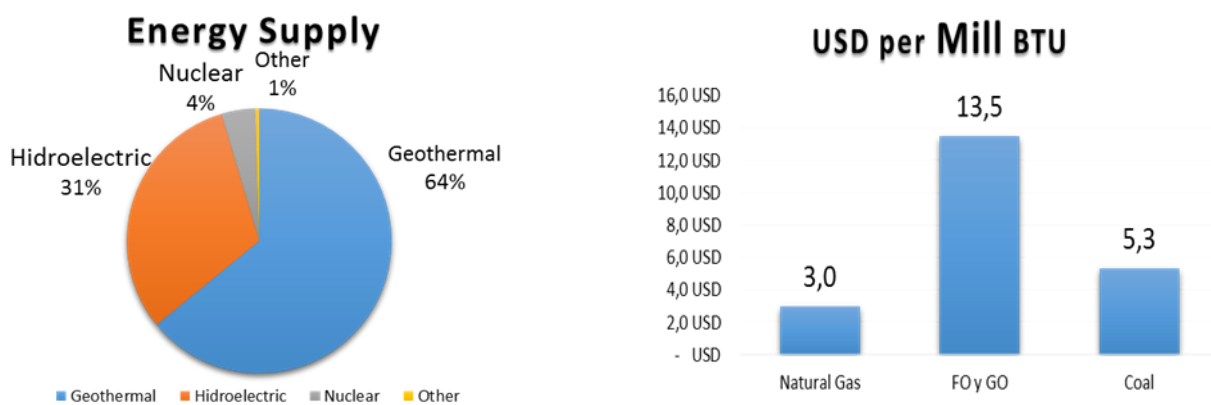
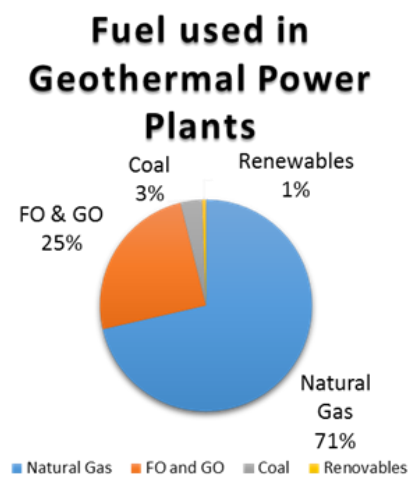


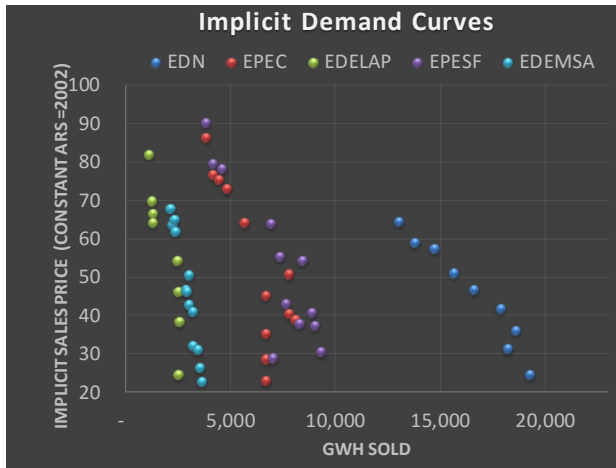
Figure A1



Source: CAMMESA, National Energy Office, EDN's Financial Statements, Pampa Energía's Financial Statements.

Elasticity of Implicit Demand Curves in the distribution industry

This figure shows how EDN's price elasticity compares unfavorably to its domestic peers.



Source: ADEERA

Appendix II - Main Regulations

2005. Renegotiation of the Concession Agreement set forth in Law No. 25,561: The Adjustment Agreement establishes the following:

- i. The implementation of a Comprehensive Rate Revision (RTI) effective as from November 1, 2005, including a 23% average increase in the distribution margin, which may not result in an increase in the average rate of more than 15%, and an additional 5% average increase in the distribution added value, allocated to certain specified capital expenditures.
- ii. The requirement that during the term of said Comprehensive Rate Revision, dividend payment be subject to the approval of the regulatory authority.
- iii. The establishment of a social tariff for the needy and the levels of quality of the service to be rendered;
- iv. The suspension of the claims and legal actions filed by Edenor S.A. and its shareholders in national or foreign courts due to the effects caused by the Economic Emergency Law.
- v. The carrying out of a Comprehensive Rate Revision which will result in a new tariff structure that will go into effect on a gradual basis and remain in effect for the following 5 years. In accordance with the provisions of Law No. 24,065, the ENRE will be in charge of such review.
- vi. The implementation of a minimum investment plan in the electric network for an amount of \$ 178.8 million to be fulfilled by Edenor S.A. during 2006, plus an additional investment of \$ 25.5 million should it be required.
- vii. The adjustment of the penalties imposed by the ENRE that are payable to customers as discounts, which were notified by such regulatory agency prior to January 6, 2002 as well as of those that have been notified, or whose cause or origin has arisen in the period between January 6, 2002 and the date on which the Adjustment Agreement goes into effect through the date on which they are effectively paid, using, for such purpose, the average increase recorded in the Company's distribution costs as a result of the increases and adjustments granted at each date.
- viii. The waiver of the penalties imposed by the ENRE that are payable to the National State, which have been notified, or their cause or origin has arisen in the period between January 6, 2002 and the date on which the Adjustment Agreement goes into effect.

2013. PUREE – CMM (Program for the Rational Use of Electric Power – Cost Monitoring Mechanism) – Resolution 250/13.

- i. Authorized the values of the adjustments resulting from the Cost Monitoring Mechanism (CMM) for the period May 2007 through December 2014, determined in accordance with Section 4.2 of the Adjustment Agreement, but without initiating the review process contemplated in the event of variations exceeding 5%.
- ii. Assessed the Company's debt as of December 31, 2014 deriving from the application of the Program for the Rational Use of Electric Power (PUREE) for the period May 2007 through December 2014.

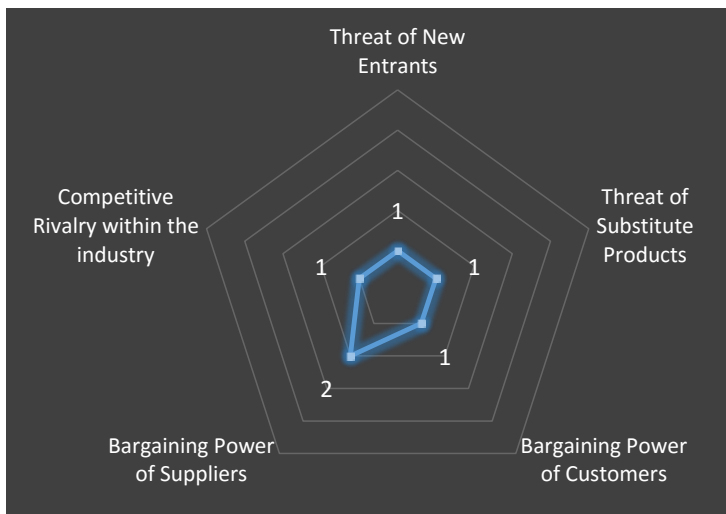
- iii. Authorized the Company to offset until December 2014 the debt indicated in paragraph ii) against and up to the amount of the receivables established in paragraph i), including interest, if any, on both amounts.
- iv. Instructed CAMMESA to issue Sale Settlements with Maturity Dates to be Determined (SSMDD) for the CMM surplus amounts after the offsetting process indicated in paragraph iii) has been carried out.
- v. Authorized CAMMESA to receive SSMDD as part payment for the past due debts deriving from the economic transactions of the Wholesale Electricity Market (WEM).
- vi. Instructed the Company to assign the credits from the surplus SSMDD, if there were any, after having complied with that established in the preceding paragraph, to the trust created under the terms of ENRE Resolution 347/12 (FOCEDE).

2015. SE Resolution 32/15

- i. Grants a temporary increase in income to Edenor effective as from February 1, 2015, and on account of the Comprehensive Rate Revision, in order for the Company to cover the expenses and afford the investments associated with the normal provision of the public service, object of the concession.
The additional income will arise from the difference between the Theoretical electricity rate schedule included in the resolution and the electricity rate schedule currently applied to each customer category, according to the ENRE's calculations, which are to be informed to the Energy Secretariat and CAMMESA on a monthly basis. The above-mentioned funds will be contributed by the Federal Government and transferred to the Company by CAMMESA.
- ii. Establishes that, as from February 1, 2015, the PUREE-related funds to which SE Resolution 745/05 refers (Note 2.c.IV) will be regarded as part of the Company's income on account of the RTI and earmarked to cover the higher costs of the provision of the public service, object of the concession.
- iii. Authorizes the Company to offset, until January 31, 2015, the PUREE-related debts against and up to the amount of the CMM established receivables, including interest, if any, on both concepts.
- iv. Instructs CAMMESA to issue SSMDD in favor of the Company for the surplus amounts in favor of the Company, resulting from the offsetting process indicated in the preceding paragraph, and for the amounts owed by the Company under the Loans for consumption granted for higher salary costs.
- v. Instructs CAMMESA to implement a payment plan to be defined with the Company, with the prior approval of the Energy Secretariat, for the settlement of the remaining balances in favor of the WEM.
- vi. Establishes that the Company will neither distribute dividends nor use the income deriving from this resolution to pay loans with financial entities, restructure financial debts, acquire other companies, grant loans, or carry out other transactions that are not strictly related to the payment of its obligations with the WEM, the payment of salaries of the Company's own or hired personnel or the making of payments to suppliers of goods and/or services related to the provision of the public service of electricity distribution.
- vii. Establishes that the Company shall observe the provisions of clause 22.1 of the Adjustment Agreement and suspend any administrative claim and/or judicial action it may have brought against the Federal Government, the Energy Secretariat and/or the ENRE in relation to the compliance with clause 4.2 of the Adjustment Agreement and the provisions of clauses 1 and 13 of this resolution.

Source: Printed from EDN's Financial Statements

Appendix III – Porter’s Five Forces Analysis



0 No threat to the business

1 Insignificant threat to the business

2 Low threat to the business

3 Moderate threat to the business

4 Significant threat to the business

5 High threat to the business

Threat of new entrants: INSIGNIFICANT

The Argentine government granted EDN the concession of the business in 1992 for 95 years with a possible renewal for another 10 years. The Company has the exclusive right to render electric power distribution and sales services within the concession area to all users who are not authorized to obtain their power supply from the WEM (large users). The huge capital investment required to set up its own infrastructure serves as a significant barrier to entry. As a result of this barriers the threat of new entrants is assessed as INSIGNIFICANT.

Threat of substitute products: INSIGNIFICANT

Considering that EDN business consists on distributing energy the only possible substitute products are solar energy and natural gas. The former does not constitutes a real threat because there in not a solar energy market. The latter may work as a substitute for heating systems, but taking into account that that sector is highly regulated and that the installation required is expensive, the construction market is building using electric heating systems. Considering there is not a real threat in terms of a substitute product we qualify this Porter's force as INSIGNIFICANT.

Bargaining Power of Customers: LOW

EDN's customers located in the concession area have no other choice in their distribution utility, the company business is consider a zonal monopoly. As a result, they have no direct effect in determining the price of providing the service. Nevertheless, due to the concession agreement the company is involved in, EDN must comply with a quality scheme, assuming possible penalties from the regulatory entity. The investment level of the company is negatively affected by the frozen rate, damaging the offered quality scheme. As a result, we assess the bargaining power of customers to be LOW.

Bargaining Power of Suppliers: INSIGNIFICANT

The price payed by distributors for their energy is regulated by the government and it's settled in a separate market, different from the one the generators sell their energy at, therefore, we determine the bargaining power of suppliers to be INSIGNIFICANT.

Competitive Rivalry within the industry: INSIGNIFICANT

EDN is the only distributor company working on its concession area, the competitive rivalry within the industry should be assessed to be INSIGNIFICANT.

Appendix IV – EDN’s Corporate Bonds

Main Characteristics of EDN's Corporate Bonds									
Class	Maturity	Currency	Outstanding Amount (in millions)	Cupon	Frequency	Principal Repayment	Callable	YTM	
7	Oct-17	USD	14.76	10.5%	Six months	Bullet	Yes	17.7%	
9	Oct-22	USD	172.17	9.8%	Six months	Bullet	Yes	13.4%	

Appendix V – CAPM: Misleading Beta Calculation

	Daily	Weekly	Monthly
2007			
R²	7.2%	11.6%	15.7%
Beta	0.78	1.07	1.83
2008			
R²	7.0%	11.3%	15.8%
Beta	0.78	1.06	1.87
2009			
R²	6.1%	5.9%	12.4%
Beta	0.91	0.89	1.89
2010			
R²	5.2%	4.4%	10.8%
Beta	0.97	0.88	2.02
2011			
R²	4.9%	3.3%	9.9%
Beta	1.03	0.84	2.28
2012			
R²	3.5%	2.0%	4.9%
Beta	1.16	0.84	1.91
2013			
R²	5.9%	2.5%	4.8%
Beta	1.52	0.97	1.94
2014			
R²	9.9%	3.8%	6.3%
Beta	1.62	0.94	1.27

Source: Team estimation

Appendix VI - Risk Free Rate

Date	1 Mo	3 Mo	6 Mo	1 Yr	2 Yr	3 Yr	5 Yr	7 Yr	10 Yr	20 Yr	30 Yr
11/02/2015	0.0%	0.1%	0.3%	0.4%	0.8%	1.1%	1.6%	1.9%	2.2%	2.6%	3.0%
11/03/2015	0.1%	0.1%	0.3%	0.4%	0.8%	1.1%	1.6%	2.0%	2.2%	2.7%	3.0%
11/04/2015	0.1%	0.1%	0.3%	0.4%	0.8%	1.2%	1.6%	2.0%	2.3%	2.7%	3.0%
11/05/2015	0.0%	0.1%	0.3%	0.4%	0.9%	1.2%	1.7%	2.0%	2.3%	2.7%	3.0%
11/06/2015	0.0%	0.1%	0.3%	0.5%	0.9%	1.2%	1.7%	2.1%	2.3%	2.8%	3.1%

Source: US Department of the Treasury

Appendix VII - Equity Risk Premium Calculation

Average Last 50 years: 5.84%

Period (yyyymm)	Market Risk Premium	Period (yyyymm)	Market Risk Premium	Period (yyyymm)	Market Risk Premium	Period (yyyymm)	Market Risk Premium	Period (yyyymm)	Market Risk Premium	Period (yyyymm)	Market Risk Premium
196508	2.73	197003	-1.06	197410	16.10	197905	-2.21	198312	-1.78	198807	-1.25
196509	2.86	197004	-11.00	197411	-4.51	197906	3.85	198401	-1.92	198808	-3.31
196510	2.60	197005	-6.92	197412	-3.44	197907	0.82	198402	-4.82	198809	3.30
196511	-0.03	197006	-5.79	197501	13.66	197908	5.53	198403	0.63	198810	1.15
196512	1.01	197007	6.93	197502	5.56	197909	-0.82	198404	-0.52	198811	-2.29
196601	0.72	197008	4.49	197503	2.66	197910	-8.10	198405	-5.97	198812	1.49
196602	-1.21	197009	4.18	197504	4.23	197911	5.21	198406	1.82	198901	6.10
196603	-2.51	197010	-2.28	197505	5.19	197912	1.79	198407	-2.74	198902	-2.25
196604	2.14	197011	4.59	197506	4.82	198001	5.51	198408	10.28	198903	1.57
196605	-5.66	197012	5.72	197507	-6.59	198002	-1.22	198409	-0.80	198904	4.33
196606	-1.44	197101	4.84	197508	-2.85	198003	-12.90	198410	-0.84	198905	3.35
196607	-1.63	197102	1.41	197509	-4.26	198004	3.97	198411	-1.76	198906	-1.35
196608	-7.91	197103	4.13	197510	5.31	198005	5.26	198412	1.84	198907	7.20
196609	-1.06	197104	3.15	197511	2.65	198006	3.06	198501	7.99	198908	1.44
196610	3.86	197105	-3.98	197512	-1.60	198007	6.49	198502	1.22	198909	-0.76
196611	1.40	197106	-0.10	197601	12.16	198008	1.80	198503	-0.84	198910	-3.67
196612	0.13	197107	-4.50	197602	0.32	198009	2.19	198504	-0.96	198911	1.03
196701	8.15	197108	3.79	197603	2.33	198010	1.06	198505	5.09	198912	1.16
196702	0.78	197109	-0.85	197604	-1.49	198011	9.59	198506	1.27	199001	-7.85
196703	3.99	197110	-4.42	197605	-1.35	198012	-4.52	198507	-0.74	199002	1.11
196704	3.89	197111	-0.46	197606	4.05	198101	-5.04	198508	-1.02	199003	1.83
196705	-4.33	197112	8.71	197607	-1.07	198102	0.56	198509	-4.54	199004	-3.36
196706	2.41	197201	2.49	197608	-0.56	198103	3.56	198510	4.02	199005	8.42
196707	4.58	197202	2.87	197609	2.06	198104	-2.10	198511	6.48	199006	-1.09
196708	-0.89	197203	0.63	197610	-2.42	198105	0.11	198512	3.88	199007	-1.90
196709	3.11	197204	0.29	197611	0.36	198106	-2.36	198601	0.65	199008	-10.14
196710	-3.09	197205	1.25	197612	5.65	198107	-1.54	198602	7.13	199009	-6.12
196711	0.37	197206	-2.43	197701	-4.05	198108	-7.03	198603	4.88	199010	-1.92
196712	3.05	197207	-0.80	197702	-1.95	198109	-7.17	198604	-1.31	199011	6.35
196801	-4.06	197208	3.26	197703	-1.37	198110	4.92	198605	4.62	199012	2.46
196802	-3.75	197209	-1.14	197704	0.15	198111	3.36	198606	1.03	199101	4.69
196803	0.20	197210	0.52	197705	-1.46	198112	-3.65	198607	-6.45	199102	7.19
196804	9.05	197211	4.60	197706	4.71	198201	-3.24	198608	6.07	199103	2.65
196805	2.28	197212	0.62	197707	-1.69	198202	-5.86	198609	-8.60	199104	-0.28
196806	0.69	197301	-3.29	197708	-1.75	198203	-1.87	198610	4.66	199105	3.64
196807	-2.72	197302	-4.85	197709	-0.27	198204	3.27	198611	1.17	199106	-4.94
196808	1.34	197303	-1.29	197710	-4.38	198205	-3.99	198612	-3.27	199107	4.24
196809	4.03	197304	-5.68	197711	4.00	198206	-3.09	198701	12.47	199108	2.32
196810	0.42	197305	-2.94	197712	0.27	198207	-3.19	198702	4.39	199109	-1.59
196811	5.43	197306	-1.56	197801	-6.01	198208	11.14	198703	1.64	199110	1.28
196812	-3.94	197307	5.04	197802	-1.38	198209	1.29	198704	-2.11	199111	-4.19
196901	-1.25	197308	-3.84	197803	2.85	198210	11.30	198705	0.11	199112	10.83
196902	-5.84	197309	4.75	197804	7.88	198211	4.67	198706	3.94	199201	-0.59
196903	2.64	197310	-0.86	197805	1.76	198212	0.55	198707	3.85	199202	1.09
196904	1.46	197311	-12.74	197806	-1.69	198301	3.60	198708	3.52	199203	-2.65
196905	-0.10	197312	0.58	197807	5.11	198302	2.59	198709	-2.59	199204	1.08
196906	-7.18	197401	-0.17	197808	3.75	198303	2.82	198710	-23.24	199205	0.30
196907	-7.00	197402	-0.48	197809	-1.43	198304	6.67	198711	-7.77	199206	-2.34
196908	4.68	197403	-2.81	197810	-11.91	198305	0.52	198712	6.81	199207	3.77
196909	-2.98	197404	-5.29	197811	2.71	198306	3.07	198801	4.21	199208	-2.38
196910	5.06	197405	-4.67	197812	0.88	198307	-4.07	198802	4.75	199209	1.19
196911	-3.79	197406	-2.83	197901	4.23	198308	-0.50	198803	-2.27	199210	1.02
196912	-2.63	197407	-8.05	197902	-3.56	198309	0.92	198804	0.56	199211	4.13
197001	-8.10	197408	-9.35	197903	5.68	198310	-3.44	198805	-0.29	199212	1.53
197002	5.13	197409	-11.77	197904	-0.06	198311	2.16	198806	4.79	199301	0.93

Period (yyyy-mm)	Market Risk Premium	Period (yyyy-mm)	Market Risk Premium	Period (yyyy-mm)	Market Risk Premium	Period (yyyy-mm)	Market Risk Premium	Period (yyyy-mm)	Market Risk Premium
199302	0.13	199709	5.35	200204	-5.20	200611	1.71	201106	-1.75
199303	2.30	199710	-3.80	200205	-1.38	200612	0.87	201107	-2.36
199304	-3.05	199711	2.98	200206	-7.21	200701	1.40	201108	-5.99
199305	2.88	199712	1.32	200207	-8.18	200702	-1.96	201109	-7.59
199306	0.31	199801	0.15	200208	0.50	200703	0.68	201110	11.35
199307	-0.34	199802	7.03	200209	-10.35	200704	3.49	201111	-0.28
199308	3.72	199803	4.76	200210	7.84	200705	3.24	201112	0.74
199309	-0.12	199804	0.73	200211	5.96	200706	-1.96	201201	5.05
199310	1.41	199805	-3.07	200212	-5.76	200707	-3.73	201202	4.42
199311	-1.89	199806	3.18	200301	-2.57	200708	0.92	201203	3.11
199312	1.65	199807	-2.46	200302	-1.88	200709	3.22	201204	-0.85
199401	2.87	199808	-16.08	200303	1.09	200710	1.80	201205	-6.19
199402	-2.56	199809	6.15	200304	8.22	200711	-4.83	201206	3.89
199403	-4.78	199810	7.13	200305	6.05	200712	-0.87	201207	0.79
199404	0.68	199811	6.10	200306	1.42	200801	-6.36	201208	2.55
199405	0.58	199812	6.16	200307	2.35	200802	-3.09	201209	2.73
199406	-3.03	199901	3.50	200308	2.34	200803	-0.93	201210	-1.76
199407	2.82	199902	-4.08	200309	-1.24	200804	4.60	201211	0.78
199408	4.01	199903	3.45	200310	6.08	200805	1.86	201212	1.18
199409	-2.31	199904	4.33	200311	1.35	200806	-8.44	201301	5.57
199410	1.34	199905	-2.46	200312	4.29	200807	-0.77	201302	1.29
199411	-4.04	199906	4.77	200401	2.15	200808	1.53	201303	4.03
199412	0.86	199907	-3.47	200402	1.40	200809	-9.24	201304	1.56
199501	1.80	199908	-1.38	200403	-1.32	200810	-17.23	201305	2.80
199502	3.63	199909	-2.81	200404	-1.83	200811	-7.86	201306	-1.20
199503	2.18	199910	6.13	200405	1.17	200812	1.74	201307	5.65
199504	2.11	199911	3.37	200406	1.86	200901	-8.12	201308	-2.71
199505	2.90	199912	7.72	200407	-4.06	200902	-10.10	201309	3.77
199506	2.72	200001	-4.74	200408	0.08	200903	8.95	201310	4.18
199507	3.72	200002	2.45	200409	1.60	200904	10.19	201311	3.12
199508	0.55	200003	5.20	200410	1.43	200905	5.21	201312	2.81
199509	3.35	200004	-6.40	200411	4.54	200906	0.43	201401	-3.32
199510	-1.52	200005	-4.42	200412	3.43	200907	7.72	201402	4.65
199511	3.95	200006	4.64	200501	-2.76	200908	3.33	201403	0.43
199512	1.03	200007	-2.51	200502	1.89	200909	4.08	201404	-0.19
199601	2.26	200008	7.03	200503	-1.97	200910	-2.59	201405	2.06
199602	1.33	200009	-5.45	200504	-2.61	200911	5.56	201406	2.61
199603	0.73	200010	-2.76	200505	3.65	200912	2.75	201407	-2.04
199604	2.06	200011	-10.72	200506	0.57	201001	-3.36	201408	4.23
199605	2.36	200012	1.19	200507	3.92	201002	3.40	201409	-1.97
199606	-1.14	200101	3.13	200508	-1.22	201003	6.31	201410	2.52
199607	-5.97	200102	-10.05	200509	0.49	201004	2.00	201411	2.55
199608	2.76	200103	-7.26	200510	-2.02	201005	-7.89	201412	-0.06
199609	5.02	200104	7.94	200511	3.61	201006	-5.56	201501	-3.11
199610	0.86	200105	0.72	200512	-0.25	201007	6.93	201502	6.13
199611	6.25	200106	-1.94	200601	3.04	201008	-4.77	201503	-1.12
199612	-1.70	200107	-2.13	200602	-0.30	201009	9.54	201504	0.59
199701	4.99	200108	-6.46	200603	1.46	201010	3.88	201505	1.36
199702	-0.49	200109	-9.25	200604	0.73	201011	0.60	201506	-1.53
199703	-5.03	200110	2.46	200605	-3.57	201012	6.82	201507	1.54
199704	4.04	200111	7.54	200606	-0.35	201101	1.99	201508	-6.04
199705	6.74	200112	1.61	200607	-0.78	201102	3.49		
199706	4.10	200201	-1.44	200608	2.03	201103	0.45		
199707	7.33	200202	-2.29	200609	1.84	201104	2.90		
199708	-4.15	200203	4.24	200610	3.23	201105	-1.27		

Source: http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html#HistBenchmarks

Appendix VIII - Goldman Sachs Approach

Correlation Merval Index vs. S&P 500 Index

Date	S&P (USD return)	Merval (USD return)	Date	S&P (USD return)	Merval (USD return)	Date	S&P (USD return)	Merval (USD return)	Date	S&P (USD return)	Merval (USD return)
01/03/2014	-0.03%	-0.08%	03/24/2014	-0.49%	0.00%	06/11/2014	-0.35%	-0.14%	08/28/2014	-0.17%	0.39%
01/06/2014	-0.25%	-1.84%	03/25/2014	0.44%	1.87%	06/12/2014	-0.71%	-1.27%	08/29/2014	0.33%	0.68%
01/07/2014	0.61%	1.34%	03/26/2014	-0.70%	-0.18%	06/13/2014	0.31%	1.58%	09/01/2014	0.00%	1.31%
01/08/2014	-0.02%	-1.75%	03/27/2014	-0.19%	2.84%	06/16/2014	0.08%	-9.57%	09/02/2014	-0.05%	1.24%
01/09/2014	0.03%	0.51%	03/28/2014	0.46%	0.31%	06/17/2014	0.22%	0.56%	09/03/2014	-0.08%	4.39%
01/10/2014	0.23%	0.51%	03/31/2014	0.79%	1.11%	06/18/2014	0.77%	4.90%	09/04/2014	-0.15%	-1.97%
01/13/2014	-1.26%	-1.71%	04/01/2014	0.70%	2.66%	06/19/2014	0.13%	-2.51%	09/05/2014	0.50%	0.14%
01/14/2014	1.08%	-0.20%	04/02/2014	0.29%	0.00%	06/20/2014	0.17%	0.00%	09/08/2014	-0.31%	-0.33%
01/15/2014	0.52%	1.13%	04/03/2014	-0.11%	1.71%	06/23/2014	-0.01%	10.62%	09/09/2014	-0.65%	0.17%
01/16/2014	-0.13%	0.09%	04/04/2014	-1.25%	1.14%	06/24/2014	-0.64%	-1.40%	09/10/2014	0.36%	1.28%
01/17/2014	-0.39%	-2.31%	04/07/2014	-1.08%	0.69%	06/25/2014	0.49%	1.59%	09/11/2014	0.09%	1.70%
01/20/2014	0.00%	1.03%	04/08/2014	0.38%	1.40%	06/26/2014	-0.12%	-1.54%	09/12/2014	-0.60%	1.18%
01/21/2014	0.28%	-0.17%	04/09/2014	1.09%	0.66%	06/27/2014	0.19%	-1.67%	09/15/2014	-0.07%	-1.65%
01/22/2014	0.06%	-0.90%	04/10/2014	-2.09%	-0.59%	06/30/2014	-0.04%	1.45%	09/16/2014	0.75%	3.74%
01/23/2014	-0.89%	-8.35%	04/11/2014	-0.95%	-0.97%	07/01/2014	0.67%	2.09%	09/17/2014	0.13%	0.03%
01/24/2014	-2.09%	-3.93%	04/14/2014	0.82%	-0.36%	07/02/2014	0.07%	1.48%	09/18/2014	0.49%	-0.67%
01/27/2014	-0.49%	1.73%	04/15/2014	0.68%	-1.59%	07/03/2014	0.55%	-0.21%	09/19/2014	-0.05%	-1.78%
01/28/2014	0.61%	1.92%	04/16/2014	1.05%	0.75%	07/04/2014	0.00%	-1.03%	09/22/2014	-0.80%	0.18%
01/29/2014	-1.02%	-3.93%	04/17/2014	0.14%	0.00%	07/07/2014	-0.39%	1.12%	09/23/2014	-0.58%	-0.23%
01/30/2014	1.13%	1.08%	04/21/2014	0.38%	0.88%	07/08/2014	-0.70%	2.28%	09/24/2014	0.78%	1.65%
01/31/2014	-0.65%	-1.19%	04/22/2014	0.41%	2.75%	07/09/2014	0.46%	0.00%	09/25/2014	-1.62%	-2.45%
02/03/2014	-2.28%	-4.07%	04/23/2014	-0.22%	1.96%	07/10/2014	-0.41%	6.13%	09/26/2014	0.86%	3.41%
02/04/2014	0.76%	2.63%	04/24/2014	0.17%	-0.47%	07/11/2014	0.15%	1.92%	09/29/2014	-0.25%	-1.02%
02/05/2014	-0.20%	-0.03%	04/25/2014	-0.81%	-3.14%	07/14/2014	0.48%	-2.17%	09/30/2014	-0.28%	-2.25%
02/06/2014	1.24%	2.53%	04/28/2014	0.32%	0.46%	07/15/2014	-0.19%	-2.53%	10/01/2014	-1.32%	-2.86%
02/07/2014	1.33%	2.17%	04/29/2014	0.48%	-0.35%	07/16/2014	0.42%	-0.69%	10/02/2014	0.00%	-3.98%
02/10/2014	0.16%	-2.64%	04/30/2014	0.30%	0.93%	07/17/2014	-1.18%	-2.13%	10/03/2014	1.12%	-1.13%
02/11/2014	1.11%	2.99%	05/01/2014	-0.01%	0.00%	07/18/2014	1.03%	4.88%	10/06/2014	-0.16%	1.28%
02/12/2014	-0.03%	3.64%	05/02/2014	-0.13%	0.00%	07/21/2014	-0.23%	-2.55%	10/07/2014	-1.51%	-0.80%
02/13/2014	0.58%	1.65%	05/05/2014	0.19%	2.81%	07/22/2014	0.50%	-0.59%	10/08/2014	1.75%	2.29%
02/14/2014	0.48%	3.19%	05/06/2014	-0.90%	-1.19%	07/23/2014	0.18%	-2.52%	10/09/2014	-2.07%	-3.11%
02/17/2014	0.00%	1.34%	05/07/2014	0.56%	4.12%	07/24/2014	0.05%	2.40%	10/10/2014	-1.15%	-0.35%
02/18/2014	0.12%	1.59%	05/08/2014	-0.14%	-2.06%	07/25/2014	-0.48%	-3.66%	10/13/2014	-1.65%	0.00%
02/19/2014	-0.65%	-2.70%	05/09/2014	0.15%	-0.66%	07/28/2014	0.03%	-3.64%	10/14/2014	0.16%	-1.08%
02/20/2014	0.60%	0.04%	05/12/2014	0.97%	0.88%	07/29/2014	-0.45%	4.56%	10/15/2014	-0.81%	-2.51%
02/21/2014	-0.19%	-0.75%	05/13/2014	0.04%	-1.49%	07/30/2014	0.01%	8.43%	10/16/2014	0.01%	-0.67%
02/24/2014	0.62%	2.60%	05/14/2014	-0.47%	-2.19%	07/31/2014	-2.00%	-7.29%	10/17/2014	1.29%	6.34%
02/25/2014	-0.13%	-3.20%	05/15/2014	-0.94%	-2.26%	08/01/2014	-0.29%	-1.65%	10/20/2014	0.91%	2.45%
02/26/2014	0.00%	-0.35%	05/16/2014	0.37%	0.31%	08/04/2014	0.72%	-0.16%	10/21/2014	1.96%	-0.21%
02/27/2014	0.49%	0.59%	05/19/2014	0.38%	-0.41%	08/05/2014	-0.97%	-3.75%	10/22/2014	-0.73%	-0.46%
02/28/2014	0.28%	0.12%	05/20/2014	-0.65%	-0.61%	08/06/2014	0.00%	0.85%	10/23/2014	1.23%	0.32%
03/03/2014	-0.74%	0.00%	05/21/2014	0.81%	1.99%	08/07/2014	-0.56%	0.00%	10/24/2014	0.71%	1.87%
03/04/2014	1.53%	0.00%	05/22/2014	0.24%	0.63%	08/08/2014	1.15%	0.40%	10/27/2014	-0.15%	-2.32%
03/05/2014	-0.01%	-0.31%	05/23/2014	0.42%	1.54%	08/11/2014	0.28%	-2.60%	10/28/2014	1.19%	3.35%
03/06/2014	0.17%	3.98%	05/26/2014	0.00%	1.16%	08/12/2014	-0.16%	-2.05%	10/29/2014	-0.14%	-2.93%
03/07/2014	0.05%	0.81%	05/27/2014	0.60%	-2.99%	08/13/2014	0.67%	-0.58%	10/30/2014	0.62%	2.98%
03/10/2014	-0.05%	-2.70%	05/28/2014	-0.11%	0.61%	08/14/2014	0.43%	-2.88%	10/31/2014	1.17%	4.55%
03/11/2014	-0.51%	-2.62%	05/29/2014	0.54%	3.24%	08/15/2014	-0.01%	2.22%	11/03/2014	-0.01%	0.68%
03/12/2014	0.03%	0.45%	05/30/2014	0.18%	0.94%	08/18/2014	0.85%	0.00%	11/04/2014	-0.28%	-1.68%
03/13/2014	-1.17%	-2.02%	06/02/2014	0.07%	0.58%	08/19/2014	0.50%	1.74%	11/05/2014	0.57%	0.34%
03/14/2014	-0.28%	2.66%	06/03/2014	-0.04%	1.53%	08/20/2014	0.25%	-2.43%	11/06/2014	0.38%	0.00%
03/17/2014	0.96%	1.66%	06/04/2014	0.19%	0.68%	08/21/2014	0.29%	-0.61%	11/07/2014	0.03%	-0.82%
03/18/2014	0.72%	2.10%	06/05/2014	0.65%	1.53%	08/22/2014	-0.20%	3.59%	11/10/2014	0.31%	-2.23%
03/19/2014	-0.61%	-1.73%	06/06/2014	0.46%	1.87%	08/25/2014	0.48%	0.32%	11/11/2014	0.07%	0.64%
03/20/2014	0.60%	1.87%	06/09/2014	0.09%	3.01%	08/26/2014	0.11%	-0.98%	11/12/2014	-0.07%	-1.16%
03/21/2014	-0.29%	1.74%	06/10/2014	-0.02%	-0.87%	08/27/2014	0.00%	0.98%	11/13/2014	0.05%	1.08%

Date	S&P (USD return)	Merval (USD return)	Date	S&P (USD return)	Merval (USD return)	Date	S&P (USD return)	Merval (USD return)	Date	S&P (USD return)	Merval (USD return)
11/14/2014	0.02%	-1.63%	02/04/2015	-0.42%	-0.23%	04/24/2015	0.23%	1.50%	07/14/2015	0.45%	2.01%
11/17/2014	0.07%	-0.42%	02/05/2015	1.03%	3.04%	04/27/2015	-0.41%	-1.48%	07/15/2015	-0.07%	0.77%
11/18/2014	0.51%	2.58%	02/06/2015	-0.34%	-2.71%	04/28/2015	0.28%	0.88%	07/16/2015	0.80%	1.34%
11/19/2014	-0.15%	-0.74%	02/09/2015	-0.42%	1.90%	04/29/2015	-0.37%	-0.96%	07/17/2015	0.11%	-1.08%
11/20/2014	0.20%	0.66%	02/10/2015	1.07%	-1.29%	04/30/2015	-1.01%	-1.02%	07/20/2015	0.08%	-5.88%
11/21/2014	0.52%	1.42%	02/11/2015	0.00%	1.46%	05/01/2015	1.09%	0.00%	07/21/2015	-0.43%	2.42%
11/24/2014	0.29%	0.00%	02/12/2015	0.96%	2.32%	05/04/2015	0.29%	2.90%	07/22/2015	-0.24%	-2.02%
11/25/2014	-0.12%	-0.31%	02/13/2015	0.41%	1.82%	05/05/2015	-1.18%	1.54%	07/23/2015	-0.57%	-0.56%
11/26/2014	0.28%	0.71%	02/16/2015	0.00%	0.00%	05/06/2015	-0.45%	-3.37%	07/24/2015	-1.07%	-4.78%
11/27/2014	0.00%	-0.02%	02/17/2015	0.16%	0.00%	05/07/2015	0.38%	-0.26%	07/27/2015	-0.58%	-2.90%
11/28/2014	-0.25%	-4.37%	02/18/2015	-0.03%	-0.03%	05/08/2015	1.35%	-0.09%	07/28/2015	1.24%	2.46%
12/01/2014	-0.68%	-1.54%	02/19/2015	-0.11%	-1.23%	05/11/2015	-0.51%	-0.40%	07/29/2015	0.73%	3.50%
12/02/2014	0.64%	0.04%	02/20/2015	0.61%	2.70%	05/12/2015	-0.29%	1.09%	07/30/2015	0.00%	-1.09%
12/03/2014	0.38%	2.38%	02/23/2015	-0.03%	1.37%	05/13/2015	-0.03%	-0.46%	07/31/2015	-0.23%	-1.32%
12/04/2014	-0.12%	-1.28%	02/24/2015	0.28%	2.71%	05/14/2015	1.08%	1.51%	08/03/2015	-0.28%	-2.84%
12/05/2014	0.17%	1.32%	02/25/2015	-0.08%	-1.08%	05/15/2015	0.08%	-0.66%	08/04/2015	-0.22%	-0.46%
12/08/2014	-0.73%	0.00%	02/26/2015	-0.15%	-1.65%	05/18/2015	0.30%	-1.76%	08/05/2015	0.31%	1.41%
12/09/2014	-0.02%	-5.47%	02/27/2015	-0.30%	0.79%	05/19/2015	-0.06%	-2.28%	08/06/2015	-0.78%	3.26%
12/10/2014	-1.64%	-3.89%	03/02/2015	0.61%	0.57%	05/20/2015	-0.09%	0.56%	08/07/2015	-0.29%	-1.11%
12/11/2014	0.45%	2.41%	03/03/2015	-0.45%	0.94%	05/21/2015	0.23%	0.02%	08/10/2015	1.28%	6.09%
12/12/2014	-1.62%	-5.42%	03/04/2015	-0.44%	0.03%	05/22/2015	-0.22%	-2.39%	08/11/2015	-0.96%	-2.40%
12/15/2014	-0.63%	-6.19%	03/05/2015	0.12%	3.50%	05/26/2015	-1.03%	-4.29%	08/12/2015	0.10%	0.17%
12/16/2014	-0.85%	-1.09%	03/06/2015	-1.42%	-1.20%	05/27/2015	0.92%	0.89%	08/13/2015	-0.13%	0.34%
12/17/2014	2.04%	3.98%	03/09/2015	0.39%	0.90%	05/28/2015	-0.13%	0.26%	08/14/2015	0.39%	-1.97%
12/18/2014	2.40%	1.71%	03/10/2015	-1.70%	-1.85%	05/29/2015	-0.63%	-1.31%	08/17/2015	0.52%	0.00%
12/19/2014	0.46%	2.50%	03/11/2015	-0.19%	3.13%	06/01/2015	0.21%	-0.22%	08/18/2015	-0.26%	-1.91%
12/22/2014	0.38%	-0.44%	03/12/2015	1.26%	0.09%	06/02/2015	-0.10%	6.20%	08/19/2015	-0.83%	-2.35%
12/23/2014	0.17%	0.18%	03/13/2015	-0.61%	0.10%	06/03/2015	0.21%	-2.06%	08/20/2015	-2.11%	-1.13%
12/24/2014	-0.01%	0.00%	03/16/2015	1.35%	4.63%	06/04/2015	-0.86%	0.93%	08/21/2015	-3.19%	-3.81%
12/26/2014	0.33%	0.00%	03/17/2015	-0.33%	3.01%	06/05/2015	-0.14%	-0.61%	08/24/2015	-3.94%	-6.24%
12/29/2014	0.09%	5.34%	03/18/2015	1.22%	1.51%	06/08/2015	-0.65%	-0.05%	08/25/2015	-1.35%	-2.65%
12/30/2014	-0.49%	-4.10%	03/19/2015	-0.49%	-1.37%	06/09/2015	0.04%	0.67%	08/26/2015	3.90%	5.70%
12/31/2014	-1.03%	0.00%	03/20/2015	0.90%	2.98%	06/10/2015	1.20%	0.28%	08/27/2015	2.43%	4.33%
01/02/2015	-0.03%	-1.54%	03/23/2015	-0.17%	0.00%	06/11/2015	0.17%	-0.35%	08/28/2015	0.06%	1.00%
01/05/2015	-1.83%	-4.23%	03/24/2015	-0.61%	0.00%	06/12/2015	-0.70%	-1.84%	08/31/2015	-0.84%	0.51%
01/06/2015	-0.89%	-1.71%	03/25/2015	-1.46%	-2.25%	06/15/2015	-0.46%	-0.42%	09/01/2015	-2.96%	-3.10%
01/07/2015	1.16%	1.17%	03/26/2015	-0.24%	-3.61%	06/16/2015	0.57%	-0.67%	09/02/2015	1.83%	-0.19%
01/08/2015	1.79%	2.31%	03/27/2015	0.24%	-0.09%	06/17/2015	0.20%	-2.50%	09/03/2015	0.12%	2.71%
01/09/2015	-0.84%	2.03%	03/30/2015	1.22%	2.23%	06/18/2015	0.99%	-1.11%	09/04/2015	-1.53%	-0.56%
01/12/2015	-0.81%	-3.45%	03/31/2015	-0.88%	-2.39%	06/19/2015	-0.53%	0.11%	09/07/2015	0.00%	0.00%
01/13/2015	-0.26%	-0.93%	04/01/2015	-0.40%	3.36%	06/22/2015	0.61%	2.39%	09/08/2015	2.51%	1.41%
01/14/2015	-0.58%	2.92%	04/02/2015	0.35%	0.00%	06/23/2015	0.06%	0.41%	09/09/2015	-1.39%	0.05%
01/15/2015	-0.92%	-1.77%	04/06/2015	0.66%	2.13%	06/24/2015	-0.74%	-0.74%	09/10/2015	0.53%	-1.15%
01/16/2015	1.34%	2.52%	04/07/2015	-0.21%	-0.25%	06/25/2015	-0.30%	-2.43%	09/11/2015	0.45%	-1.71%
01/19/2015	0.00%	-0.40%	04/08/2015	0.27%	1.15%	06/26/2015	-0.03%	0.59%	09/14/2015	-0.41%	-1.92%
01/20/2015	0.15%	-0.88%	04/09/2015	0.45%	1.23%	06/29/2015	-2.09%	-3.32%	09/15/2015	1.28%	-0.31%
01/21/2015	0.47%	3.55%	04/10/2015	0.52%	1.71%	06/30/2015	0.27%	0.99%	09/16/2015	0.87%	0.32%
01/22/2015	1.53%	1.66%	04/13/2015	-0.46%	0.52%	07/01/2015	0.69%	-1.67%	09/17/2015	-0.26%	0.92%
01/23/2015	-0.55%	-1.08%	04/14/2015	0.16%	-0.42%	07/02/2015	-0.03%	2.64%	09/18/2015	-1.61%	-2.54%
01/26/2015	0.26%	0.65%	04/15/2015	0.51%	1.89%	07/03/2015	0.00%	-0.36%	09/21/2015	0.45%	-2.50%
01/27/2015	-1.34%	2.42%	04/16/2015	-0.08%	-0.52%	07/06/2015	-0.39%	-0.33%	09/22/2015	-1.23%	0.70%
01/28/2015	-1.35%	-3.63%	04/17/2015	-1.13%	-0.96%	07/07/2015	0.61%	0.30%	09/23/2015	-0.20%	-2.12%
01/29/2015	0.95%	-2.32%	04/20/2015	0.92%	-1.12%	07/08/2015	-1.67%	-3.31%	09/24/2015	-0.34%	-2.74%
01/30/2015	-1.30%	-0.18%	04/21/2015	-0.15%	-0.72%	07/09/2015	0.23%	0.00%	09/25/2015	-0.05%	1.76%
02/02/2015	1.30%	1.66%	04/22/2015	0.51%	1.81%	07/10/2015	1.23%	1.63%			
02/03/2015	1.44%	3.59%	04/23/2015	0.24%	3.82%	07/13/2015	1.11%	2.76%			

Source: Thompson Reuters

Argentine Equity Market Volatility in USD:	2.31%
World Equity Market Volatility in USD:	0.82%
Volatility Ratio:	2.81

Appendix VIII (Continuation) - Goldman Sachs Approach

Correlation Merval Index vs. Domestic Bond Portfolio

Date	Merval Index return	Bond Portfolio return	Date	Merval Index return	Bond Portfolio return	Date	Merval Index return	Bond Portfolio return	Date	Merval Index return	Bond Portfolio return
14/05/2014	0.49%	1.74%	30/07/2014	6.95%	5.16%	15/10/2014	-2.44%	-0.51%	02/01/2015	1.02%	0.27%
15/05/2014	-1.68%	2.27%	31/07/2014	-8.39%	-4.95%	16/10/2014	3.37%	0.46%	05/01/2015	-6.26%	0.32%
16/05/2014	1.39%	1.98%	01/08/2014	1.70%	0.00%	17/10/2014	5.65%	3.86%	06/01/2015	-0.81%	-1.00%
19/05/2014	4.04%	3.50%	04/08/2014	-0.07%	0.08%	20/10/2014	5.22%	2.17%	07/01/2015	2.34%	1.69%
20/05/2014	0.87%	1.27%	05/08/2014	-3.10%	0.07%	21/10/2014	-1.99%	-0.01%	08/01/2015	1.81%	-0.16%
21/05/2014	0.59%	-0.26%	06/08/2014	0.85%	0.50%	22/10/2014	-2.98%	-1.27%	09/01/2015	0.77%	0.48%
22/05/2014	1.57%	-0.50%	07/08/2014	1.35%	0.18%	23/10/2014	-2.66%	-1.33%	12/01/2015	-3.05%	0.16%
23/05/2014	0.98%	0.27%	08/08/2014	-0.17%	0.94%	24/10/2014	2.80%	2.41%	13/01/2015	0.30%	0.80%
26/05/2014	1.16%	0.85%	11/08/2014	-0.19%	4.03%	27/10/2014	-2.47%	0.68%	14/01/2015	2.41%	1.72%
27/05/2014	0.51%	1.37%	12/08/2014	2.96%	3.72%	28/10/2014	1.47%	-0.34%	15/01/2015	0.57%	0.89%
28/05/2014	1.24%	0.64%	13/08/2014	0.82%	0.00%	29/10/2014	-2.11%	-0.81%	16/01/2015	2.19%	0.29%
29/05/2014	1.96%	-1.41%	14/08/2014	-1.78%	-0.56%	30/10/2014	3.06%	-0.05%	19/01/2015	-0.40%	0.31%
30/05/2014	-1.32%	-3.46%	15/08/2014	3.54%	1.13%	31/10/2014	4.55%	1.54%	20/01/2015	-0.48%	0.09%
02/06/2014	-0.44%	-0.23%	18/08/2014	0.00%	0.00%	03/11/2014	3.22%	0.12%	21/01/2015	1.06%	-0.72%
03/06/2014	0.40%	-1.06%	19/08/2014	2.00%	1.08%	04/11/2014	-3.08%	-0.13%	22/01/2015	1.16%	-0.32%
04/06/2014	-0.17%	-0.27%	20/08/2014	0.97%	1.87%	05/11/2014	-1.26%	-0.55%	23/01/2015	-0.42%	-0.19%
05/06/2014	1.82%	0.66%	21/08/2014	0.93%	-0.27%	06/11/2014	0.00%	0.00%	26/01/2015	0.81%	-0.01%
06/06/2014	1.00%	0.52%	22/08/2014	1.75%	0.15%	07/11/2014	-2.73%	-0.29%	27/01/2015	2.34%	-0.29%
09/06/2014	4.78%	1.63%	25/08/2014	2.30%	1.24%	10/11/2014	-1.84%	-1.50%	28/01/2015	-2.68%	0.30%
10/06/2014	-1.61%	0.59%	26/08/2014	1.49%	2.46%	11/11/2014	-1.17%	-0.62%	29/01/2015	-3.27%	0.02%
11/06/2014	-0.98%	-0.98%	27/08/2014	3.04%	2.64%	12/11/2014	-1.94%	-1.38%	30/01/2015	0.06%	0.37%
12/06/2014	-0.14%	-0.46%	28/08/2014	0.23%	-1.59%	13/11/2014	-1.51%	-0.45%	02/02/2015	0.00%	0.52%
13/06/2014	-0.24%	-0.89%	29/08/2014	-0.18%	0.25%	14/11/2014	-1.71%	-0.06%	03/02/2015	6.26%	0.67%
16/06/2014	-10.09%	-5.32%	01/09/2014	1.31%	0.21%	17/11/2014	-0.75%	-0.42%	04/02/2015	-0.72%	0.24%
17/06/2014	3.76%	2.35%	02/09/2014	1.71%	0.45%	18/11/2014	1.22%	-1.18%	05/02/2015	1.61%	0.32%
18/06/2014	2.94%	1.83%	03/09/2014	3.18%	1.30%	19/11/2014	-2.15%	-0.21%	06/02/2015	-1.02%	0.30%
19/06/2014	-4.92%	-3.32%	04/09/2014	-3.59%	-1.17%	20/11/2014	0.92%	0.09%	09/02/2015	1.24%	-0.17%
20/06/2014	0.00%	0.00%	05/09/2014	3.49%	2.92%	21/11/2014	3.15%	0.63%	10/02/2015	-1.13%	0.42%
23/06/2014	8.68%	1.78%	08/09/2014	2.29%	1.54%	24/11/2014	0.00%	0.00%	11/02/2015	1.12%	-0.22%
24/06/2014	-0.91%	-0.68%	09/09/2014	0.33%	-0.12%	25/11/2014	-0.40%	-0.02%	12/02/2015	2.24%	-0.03%
25/06/2014	0.89%	-0.01%	10/09/2014	0.75%	-0.25%	26/11/2014	1.89%	0.00%	13/02/2015	2.57%	0.58%
26/06/2014	-2.03%	-0.27%	11/09/2014	1.85%	1.24%	27/11/2014	-0.02%	-0.01%	16/02/2015	0.00%	0.00%
27/06/2014	1.08%	-0.35%	12/09/2014	0.80%	0.93%	28/11/2014	-3.11%	0.00%	17/02/2015	0.00%	0.00%
30/06/2014	-0.22%	0.12%	15/09/2014	-0.83%	0.55%	01/12/2014	-4.51%	0.44%	18/02/2015	-0.51%	0.71%
01/07/2014	2.19%	1.10%	16/09/2014	4.44%	1.95%	02/12/2014	0.12%	0.42%	19/02/2015	-1.31%	-0.85%
02/07/2014	1.18%	-0.35%	17/09/2014	0.55%	-0.05%	03/12/2014	3.07%	0.12%	20/02/2015	0.51%	-0.92%
03/07/2014	-0.11%	-0.10%	18/09/2014	0.22%	0.46%	04/12/2014	-1.11%	-0.73%	23/02/2015	0.77%	-0.88%
04/07/2014	-0.05%	0.23%	19/09/2014	0.39%	1.14%	05/12/2014	0.23%	-1.20%	24/02/2015	1.42%	-1.14%
07/07/2014	0.13%	-0.44%	22/09/2014	4.65%	4.27%	08/12/2014	0.00%	0.00%	25/02/2015	-0.83%	-0.56%
08/07/2014	2.07%	0.41%	23/09/2014	-0.50%	-0.13%	09/12/2014	-7.22%	-1.66%	26/02/2015	-2.40%	0.32%
09/07/2014	0.00%	0.00%	24/09/2014	1.65%	0.24%	10/12/2014	-6.86%	-1.85%	27/02/2015	2.86%	0.20%
10/07/2014	4.55%	0.46%	25/09/2014	-0.83%	0.66%	11/12/2014	4.49%	1.99%	02/03/2015	-0.27%	0.48%
11/07/2014	1.41%	0.62%	26/09/2014	3.13%	1.06%	12/12/2014	-4.44%	-0.52%	03/03/2015	1.11%	-0.25%
14/07/2014	0.21%	-0.06%	29/09/2014	0.46%	1.47%	15/12/2014	-8.29%	-2.13%	04/03/2015	-0.14%	0.18%
15/07/2014	-2.43%	0.38%	30/09/2014	-0.35%	-0.98%	16/12/2014	1.17%	-0.80%	05/03/2015	2.80%	0.04%
16/07/2014	-0.89%	0.19%	01/10/2014	-8.23%	-4.61%	17/12/2014	3.98%	1.39%	06/03/2015	-0.11%	0.06%
17/07/2014	-2.42%	-0.81%	02/10/2014	-7.06%	-6.13%	18/12/2014	-1.09%	0.97%	09/03/2015	1.24%	0.61%
18/07/2014	3.84%	-0.70%	03/10/2014	6.69%	2.14%	19/12/2014	1.69%	-0.30%	10/03/2015	-2.18%	-0.03%
21/07/2014	-2.75%	-1.16%	06/10/2014	-4.33%	-2.32%	22/12/2014	0.00%	-0.42%	11/03/2015	3.05%	0.52%
22/07/2014	-1.08%	-1.80%	07/10/2014	-0.10%	0.10%	23/12/2014	0.00%	0.82%	12/03/2015	-0.33%	0.49%
23/07/2014	-2.33%	0.23%	08/10/2014	-1.29%	-0.98%	24/12/2014	0.00%	0.00%	13/03/2015	1.45%	-0.09%
24/07/2014	1.16%	0.76%	09/10/2014	-5.29%	-2.79%	26/12/2014	0.00%	0.00%	16/03/2015	4.89%	0.72%
25/07/2014	-3.76%	-1.12%	10/10/2014	-1.60%	-2.29%	29/12/2014	5.25%	0.86%	17/03/2015	2.24%	-0.57%
28/07/2014	-0.99%	0.29%	13/10/2014	0.00%	0.00%	30/12/2014	1.61%	3.24%	18/03/2015	2.62%	0.02%
29/07/2014	6.53%	1.73%	14/10/2014	-1.45%	-2.03%	31/12/2014	0.00%	0.00%	19/03/2015	-1.12%	0.25%

Date	Merval Index return	Bond Portfolio return	Date	Merval Index return	Bond Portfolio return	Date	Merval Index return	Bond Portfolio return
20/03/2015	2.12%	0.07%	09/06/2015	1.62%	0.17%	25/08/2015	-0.56%	0.30%
23/03/2015	0.00%	0.00%	10/06/2015	-0.15%	0.16%	26/08/2015	5.24%	0.52%
24/03/2015	0.00%	0.00%	11/06/2015	-0.01%	0.85%	27/08/2015	6.15%	1.63%
25/03/2015	-1.93%	-0.08%	12/06/2015	0.00%	0.66%	28/08/2015	0.35%	-0.06%
26/03/2015	-5.70%	-1.25%	15/06/2015	-1.25%	0.20%	31/08/2015	0.65%	0.73%
27/03/2015	1.27%	-0.44%	16/06/2015	1.09%	0.90%	01/09/2015	-2.69%	0.42%
30/03/2015	2.74%	-1.55%	17/06/2015	-1.70%	-0.04%	02/09/2015	0.59%	0.51%
31/03/2015	-1.08%	0.86%	18/06/2015	1.01%	0.92%	03/09/2015	1.76%	0.29%
01/04/2015	2.16%	0.91%	19/06/2015	-0.37%	0.03%	04/09/2015	-0.56%	0.13%
02/04/2015	0.00%	0.00%	22/06/2015	3.22%	-0.33%	07/09/2015	0.00%	0.69%
06/04/2015	3.32%	-0.10%	23/06/2015	-0.47%	1.12%	08/09/2015	2.28%	0.23%
07/04/2015	-0.25%	-0.02%	24/06/2015	0.22%	1.13%	09/09/2015	-0.17%	0.42%
08/04/2015	-1.18%	-0.05%	25/06/2015	-0.87%	1.13%	10/09/2015	-0.80%	0.99%
09/04/2015	2.08%	0.13%	26/06/2015	2.02%	0.90%	11/09/2015	-1.64%	0.65%
10/04/2015	1.54%	0.21%	29/06/2015	-3.24%	0.32%	14/09/2015	-1.71%	0.09%
13/04/2015	-0.07%	0.35%	30/06/2015	3.11%	2.06%	15/09/2015	-0.38%	-0.46%
14/04/2015	2.02%	-1.06%	01/07/2015	0.12%	1.90%	16/09/2015	0.39%	-0.29%
15/04/2015	1.80%	0.93%	02/07/2015	1.18%	-1.35%	17/09/2015	0.92%	0.04%
16/04/2015	-0.52%	0.10%	03/07/2015	-0.36%	0.40%	18/09/2015	-2.27%	0.33%
17/04/2015	-1.21%	-0.54%	06/07/2015	0.20%	0.32%	21/09/2015	-2.64%	0.09%
20/04/2015	-2.18%	-1.82%	07/07/2015	0.45%	0.37%	22/09/2015	-6.06%	-7.61%
21/04/2015	-3.12%	-0.84%	08/07/2015	-2.80%	0.52%	23/09/2015	-1.38%	0.30%
22/04/2015	3.47%	-0.94%	09/07/2015	0.00%	0.00%	24/09/2015	-2.45%	-0.56%
23/04/2015	4.43%	0.55%	10/07/2015	1.55%	0.49%	25/09/2015	5.50%	3.34%
24/04/2015	1.67%	0.31%	13/07/2015	2.22%	0.14%			
27/04/2015	-2.87%	-0.24%	14/07/2015	2.63%	0.71%			
28/04/2015	0.71%	-0.20%	15/07/2015	0.32%	-0.11%			
29/04/2015	0.38%	-0.61%	16/07/2015	1.11%	-0.11%			
30/04/2015	-1.10%	0.33%	17/07/2015	-0.49%	0.59%			
01/05/2015	0.00%	0.00%	20/07/2015	-3.20%	1.35%			
04/05/2015	2.46%	-0.42%	21/07/2015	1.38%	-0.68%			
05/05/2015	0.60%	0.02%	22/07/2015	-3.82%	-1.38%			
06/05/2015	-2.31%	0.55%	23/07/2015	-0.49%	-0.91%			
07/05/2015	-0.09%	-0.14%	24/07/2015	-6.20%	-1.76%			
08/05/2015	0.66%	0.13%	27/07/2015	-2.90%	0.06%			
11/05/2015	-0.81%	0.26%	28/07/2015	3.32%	0.24%			
12/05/2015	1.09%	-0.55%	29/07/2015	3.42%	-0.19%			
13/05/2015	-0.37%	0.24%	30/07/2015	-0.79%	-0.09%			
14/05/2015	1.25%	-0.06%	31/07/2015	-1.10%	0.33%			
15/05/2015	0.25%	0.08%	03/08/2015	-1.82%	0.59%			
18/05/2015	-2.25%	0.05%	04/08/2015	-0.83%	0.31%			
19/05/2015	-3.59%	-0.13%	05/08/2015	0.95%	0.80%			
20/05/2015	0.56%	0.32%	06/08/2015	3.18%	0.09%			
21/05/2015	-0.23%	-0.13%	07/08/2015	-0.81%	0.13%			
22/05/2015	-2.06%	-0.01%	10/08/2015	5.93%	0.16%			
26/05/2015	-5.42%	-1.18%	11/08/2015	-1.96%	0.44%			
27/05/2015	0.80%	0.10%	12/08/2015	0.32%	-0.31%			
28/05/2015	0.43%	-0.13%	13/08/2015	0.34%	0.06%			
29/05/2015	-1.56%	-0.04%	14/08/2015	-1.90%	-0.10%			
01/06/2015	-0.39%	-0.01%	17/08/2015	0.00%	0.00%			
02/06/2015	6.75%	0.38%	18/08/2015	-1.98%	0.00%			
03/06/2015	-2.48%	0.12%	19/08/2015	-2.42%	0.59%			
04/06/2015	0.41%	0.00%	20/08/2015	-0.83%	-0.06%			
05/06/2015	-0.27%	-0.11%	21/08/2015	-3.38%	-0.16%			
08/06/2015	-0.13%	0.01%	24/08/2015	-6.31%	-0.38%			

Source: Thompson Reuters

Correlation coefficient	0.602
(1-Correlation coefficient):	0.397
Modified beta:	1.12

Appendix IX – Financial Analysis

	2012	2013	2014	2015F	2016F	2017F	2018F	2019F	2020F
Liquidity									
Current Ratio	0.59	0.57	0.38	0.39	0.61	0.70	1.00	1.20	1.13
Quick Ratio	0.55	0.54	0.36	0.37	0.58	0.65	0.93	1.11	1.04
Cash Ratio	0.03	0.07	0.04	0.04	0.02	0.02	0.03	0.04	0.04
Activity									
Total Assets Turnover	0.43	0.47	0.42	0.36	0.76	1.01	1.12	1.17	1.26
Fixed Assets Turnover	0.69	0.66	0.54	0.46	1.20	1.70	2.07	2.23	2.38

	2012	2013	2014	2015 (ttm)
Profitability				
Revenues	605.2	527.6	420.8	371.3
EBITDA	-129.3	234.1	-1.8	143.8
EBITDA w/o Subsidies	-129.3	-215.7	-267.5	-267.3
EBITDA Mg	-21.4%	44.4%	-0.4%	38.7%
EBITDA w/o Subs Mg	-21.4%	-40.9%	-63.6%	-72.0%
Net Profit Mg	-34.1%	22.5%	-21.7%	18.0%
Net Profit w/o Subs Mg	-34.1%	-62.8%	-84.8%	-86.3%
ROA	-14.7%	10.6%	-9.0%	6.2%
ROA w/o Subsidies	-14.7%	-29.8%	-35.4%	-29.8%
ROE	-242.3%	65.7%	-202.5%	60.2%
ROE w/o Subsidies	-242.3%	-183.7%	-792.6%	-288.7%

	2012	2013	2014	2015 (ttm)
Total Debt	295.6	207.1	190.9	173.9
Net Debt	280.5	136.6	140.2	49.5
Including CAMMESA				
Total Debt	434.1	480.3	549.9	557.5
Net Debt	419.0	409.8	499.2	431.9
Financial Leverage				
Debt/Equity	2.97	1.15	4.24	1.57
With CAMMESA	4.36	2.66	12.21	5.02
Debt/EBITDA	-2.29	0.88	-105.32	1.21
With CAMMESA	-3.36	2.05	-303.36	3.88
Debt/EBITDA w/o Subs	-2.29	-0.96	-0.71	-0.65
With CAMMESA	-3.36	-2.23	-2.06	-2.09
Coverage Ratios				
EBIT/Int	-6.43	7.43	-1.63	7.23
EBIT/Int w/o Subs	-6.43	-9.14	-16.26	-17.92

Appendix X – Linear Regression: GGP and Temperatures against GWh Energy Sold

Regression Statistics	
Mul. Correlation Coefic.	0.885261
R ²	0.783687
Adjusted R ²	0.773135
Error	0.006488
Observations	44

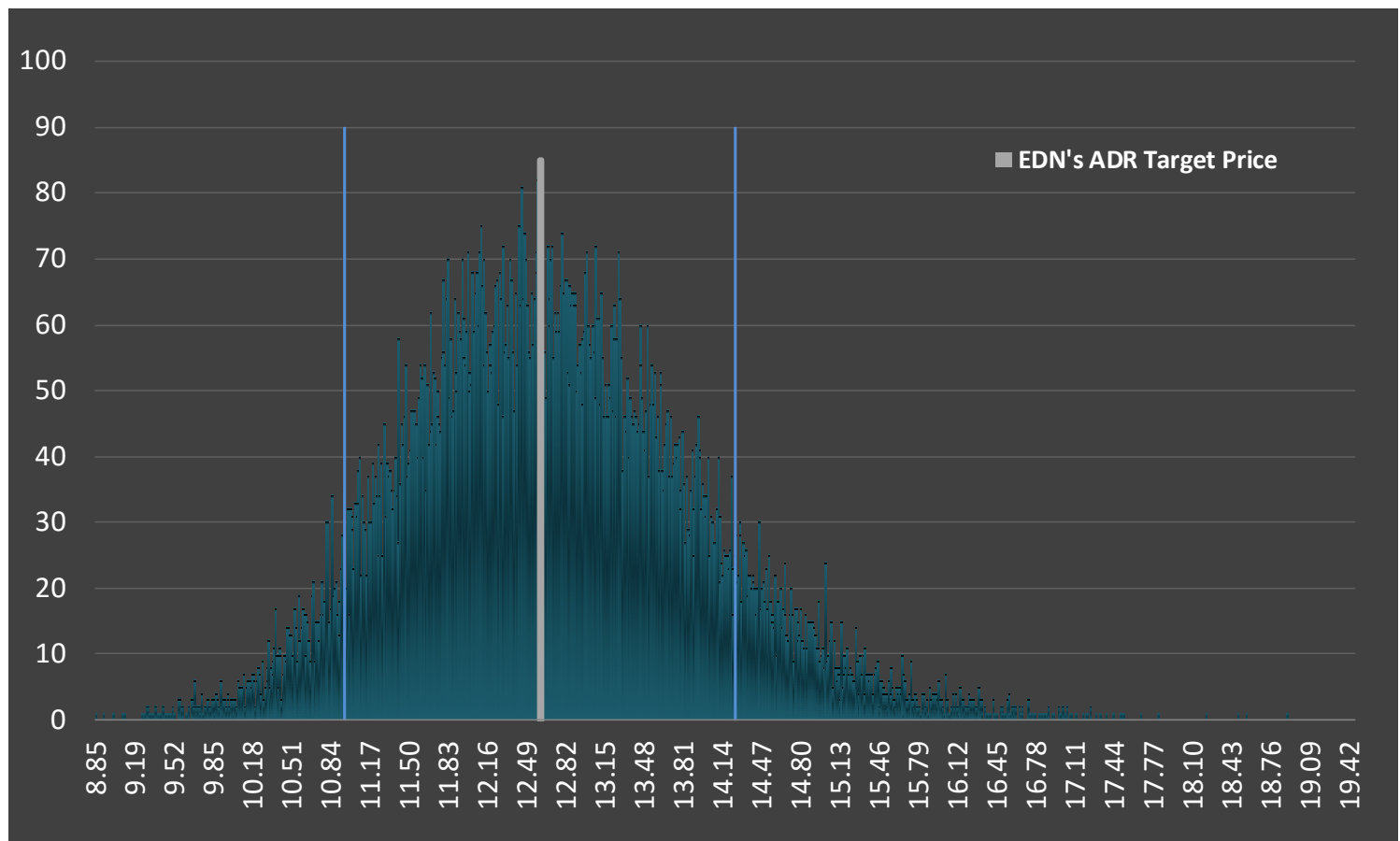
Variance Analysis					
	Liberty Extents	Squared Sum	Squared Avg.	F	F Critical Value
Regression	2	0.006252	0.003126	74.269944	0.000000
Residuals	41	0.001726	0.000042		
Total	43	0.007978			

	Coefficientes	Error típico	Estadístico t	Probabilidad
Interception	0.011566	0.001074	10.771212	0.000000
Variable X 1	0.029121	0.002457	11.853252	0.000000
Variable X 2	0.041201	0.016439	2.506286	0.016261

Source: Team Estimates

Appendix XI – Valuation Assumptions and Sensitivity Analysis

Monte Carlo Simulation



Source: Team Estimates

Appendix XI (Continuation) – Valuation Assumptions and Sensitivity Analysis

Macroeconomic Forecasts and Scenario Assumptions

	2014	2015F	2016F	2017F	2018F	2019F	2020F
Exchange Rate (Ars/USD)	8.55	10.00	14.00	16.00	18.00	20.00	21.00
Exchange Rate Variation		17.0%	40.0%	14.3%	12.5%	11.1%	5.0%
Gross Geographical Product	0.5%	1.1%	1.8%	3.0%	3.2%	3.0%	3.0%
Risk Free Rate	2.5%	2.2%	3.0%	3.6%	3.8%	3.9%	4.0%
EMBI+	7.0%	5.0%	4.6%	4.0%	3.6%	3.7%	3.7%

Scenarios	2015F	2016F	2017F	2018F	2019F	2020F	Total
Shock	Price Target						17.60
Rate adjustment for un-subsidized customers	0%	180%	13%	20%	18%	15%	413%
Rate adjustment for subsidized customers	0%	600%	34%	20%	18%	15%	1424%
Increase in energy cost	0%	430%	66%	41%	18%	15%	1580%
CAPEX	150	132	144	156	150	152	884
Debt stock	187	187	172	472	672	672	2363
Subsidies	558	51	54	58	63	72	856
Change	Price Target						13.90
Rate adjustment for un-subsidized customers	0%	100%	50%	23%	21%	15%	413%
Rate adjustment for subsidized customers	0%	400%	70%	32%	18%	15%	1424%
Increase in energy cost	0%	300%	100%	45%	21%	18%	1552%
CAPEX	150	114	125	139	140	138	806
Debt stock	187	187	172	372	572	572	2063
Subsidies	558	156	54	58	63	72	961
Gradual	Price Target						9.50
Rate adjustment for un-subsidized customers	0%	100%	50%	20%	20%	19%	413%
Rate adjustment for subsidized customers	0%	200%	100%	35%	35%	30%	1324%
Increase in energy cost	0%	150%	140%	45%	35%	32%	1452%
CAPEX	150	114	106	94	90	90	645
Debt stock	187	187	172	372	472	472	1863
Subsidies	501	214	101	58	63	72	1009
No change	Price Target						3.20
Rate adjustment for un-subsidized customers	0%	30%	23%	20%	20%	20%	176%
Rate adjustment for subsidized customers	0%	25%	28%	25%	20%	20%	188%
Increase in energy cost	0%	20%	17%	18%	20%	20%	138%
CAPEX	150	100	94	89	85	86	603
Debt stock	187	187	172	172	372	372	1463
Subsidies	618	479	404	388	350	348	2588

Cost of Debt and WACC

Cost of Debt: The Cost of Debt (K_D) was computed based on the yield to maturity of EDN's two outstanding series of USD notes: the Class 7 Note due 2017, and the Class 9 Note due 2022.

The weighted average (weighted by outstanding amount) yield to maturity resulted in a K_D of 13.70% for 2015 (for subsequent years and different scenarios, please read ahead).

WACC: We use the usual expression to compute the WACC. We use EDN's current market capitalization to compute the weight of equity over the company's capital structure. For the debt weight, we added EDN's outstanding amount of notes and the EDN's debt with CAMMESA, which, as explained in the Financial Analysis section, we believe has characteristics similar to financial debt. This resulted in a 36% debt – 64% equity capital structure. We applied 35% tax shield. The WACC obtained for 2015 was 14.6%

$$WACC = K_D \cdot (1 - \text{Tax}) \cdot W_D + K_E \cdot W_E$$

Discounted Rates Composition	2015F	2016F	2017F	2018F	2019F	2020F
Shock						
WACC	14.6%	13.9%	13.2%	12.4%	12.1%	11.8%
Ke	17.8%	16.8%	15.7%	14.7%	14.4%	14.1%
Kd	13.7%	13.7%	13.4%	12.8%	12.5%	12.1%
EMBI Adjustment	1.65	1.58	1.53	1.4	1.25	1.15
Change						
WACC	14.6%	14.0%	13.2%	12.7%	12.5%	12.3%
Ke	17.8%	16.9%	15.8%	15.0%	14.8%	14.6%
Kd	13.7%	13.7%	13.4%	13.1%	12.8%	12.6%
EMBI Adjustment	1.65	1.6	1.55	1.48	1.35	1.28
Gradual						
WACC	14.6%	14.1%	13.3%	12.6%	12.7%	12.4%
Ke	17.8%	17.0%	15.9%	15.0%	15.1%	14.7%
Kd	13.7%	13.7%	13.4%	13.0%	13.0%	12.7%
EMBI Adjustment	1.65	1.63	1.58	1.5	1.43	1.33
No Change						
WACC	14.6%	14.1%	13.5%	13.0%	13.1%	13.0%
Ke	17.8%	17.1%	16.1%	15.4%	15.6%	15.5%
Kd	13.7%	13.7%	13.6%	13.3%	13.5%	13.4%
EMBI Adjustment	1.65	1.65	1.63	1.6	1.58	1.53

Brief Scenario Description

Shock: This scenery contemplates a rapid rates adjustment, totaling a capitalized 936% in the term of two years, to small users who represent 93% of the customers of END. Industrial users rates are increased by a total of 315% as they just have the cost of energy subsidized. Direct subsidies –income through resolutions- are assumed to be reduced to a minimum level, and then eliminated. The cost of purchased energy is also supposed to increase, 880% up to 2017, as regulation and subsidies from CAMMESA decrease.

Change: This alternative works with a slower adjustment of the main variables, which in the term of two years converge to a realistic value. Those users without the subsidized rate would suffer an increment of 850% while the un-subsidized customers will have a rate adjustment of 300%. Additionally, the cost of energy would increase in 800%. All the adjustment was also up to 2017.

Gradual: The main assumption was an even slower adjustment of variables than that considered in the Change scenery, reaching close to realistic values in the term of five years. With adjustment in subsidized, un-subsidized customers and cost of energy of 600%, 600% and 300% respectively till 2017.

No change: there are almost any rate adjustments. Subsidies are given sporadically in order to let the company survive. Cash flow continues to depend increasingly on resolutions and CAMMESA's financing to compensate for the costs and income mismatch.

Change

Balance Sheet (in millions USD)	2011	2012	2013	2014	2015F	2016F	2017F	2018F	2019F	2020F
Property, plant and equipment	928.3	883.4	795.8	778.0	806.5	685.9	720.4	773.8	831.0	924.2
Total non-current assets	1134.9	1095.5	826.4	817.4	825.8	730.5	769.3	847.2	923.8	1048.0
Inventories	10.5	17.3	12.9	8.7	7.9	16.3	31.3	50.7	56.8	60.0
Other receivables	17.7	25.9	80.1	29.3	49.0	46.2	50.1	45.1	42.9	30.4
Trade receivables	124.2	180.8	123.2	103.3	89.7	212.1	258.7	413.5	442.7	472.7
Financial assets at fair value through profit or loss	0.5	0.7	33.2	29.8	40.1	87.8	107.7	131.6	147.2	168.4
Total current assets	194.2	256.3	286.6	191.9	208.3	382.5	470.2	668.2	719.2	765.9
TOTAL ASSETS	1629.1	1397.3	1113.0	1009.2	1034.0	1113.1	1239.5	1515.3	1643.0	1813.9
Share capital	208.4	182.4	137.6	104.9	89.7	64.1	56.1	49.8	44.9	42.7
Accumulated deficit	-129.5	-180.0	-17.4	-104.4	-68.2	22.0	139.8	251.8	347.4	454.5
TOTAL EQUITY	429.2	99.5	180.4	45.0	59.6	116.1	222.1	325.0	413.3	517.2
Other payables	319.2	385.3	144.9	192.3	152.5	84.0	86.0	131.2	76.2	51.2
Borrowings	276.5	274.6	200.9	186.9	187.0	187.0	172.2	372.2	543.6	545.0
Total non-current liabilities	782.0	833.8	429.2	457.5	426.3	320.8	316.6	569.1	658.6	622.8
Trade payables	144.9	245.7	380.5	385.9	405.6	549.2	535.6	475.9	431.5	506.6
Salaries and social security taxes payable	64.1	78.0	64.5	71.4	79.5	75.0	82.7	83.5	83.4	90.2
Total current liabilities	291.9	432.0	503.5	506.7	548.2	676.1	700.8	621.2	571.2	673.8
TOTAL LIABILITIES	1199.9	1297.8	932.6	964.2	974.4	997.0	1017.4	1190.4	1229.7	1296.7
TOTAL LIABILITIES AND EQUITY	1629.1	1397.3	1113.0	1009.2	1034.0	1113.1	1239.5	1515.3	1643.0	1813.9
Income Statement (in millions USD)	2011	2012	2013	2014	2015F	2016F	2017F	2018F	2019F	2020F
Continuing operations										
Revenue from sales	534.9	605.2	527.6	420.8	373.9	884.4	1469.7	1932.6	2117.0	2388.1
Electric power purchases	-262.8	-353.8	-314.4	-219.6	-196.4	-405.8	-856.3	-1261.3	-1411.7	-1633.4
<i>Subtotal</i>	272.1	251.3	213.2	201.2	177.5	478.6	613.4	671.3	705.3	754.7
Transmission and distribution expenses	-225.5	-236.3	-285.3	-306.0	-315.8	-254.0	-242.0	-258.2	-274.2	-300.3
Gross (loss) income	46.6	15.0	-72.1	-104.8	-138.3	224.7	371.4	413.2	431.1	454.5
Selling expenses	-60.9	-70.3	-82.7	-74.8	-76.5	-61.7	-58.8	-62.7	-66.6	-72.9
Administrative expenses	-45.7	-50.0	-48.6	-56.8	-63.6	-51.3	-49.0	-52.2	-55.5	-60.7
Other operating income/expense	-16.6	-24.0	-12.5	-31.1	-20.5	-14.9	-15.0	-16.0	-16.9	-18.6
Gain from acquisition of companies	101.1	-	-	-	-	-	-	-	-	-
Revenue from non-reimbursable customer contributions	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Operating loss before SE Resolution 250/13 and 32/15	24.6	-129.3	-215.7	-267.5	-298.9	96.9	248.7	282.4	292.2	302.3
Higher costs recognition - SE Resolution 250/13 and subsequent Notes	-	-	449.8	265.7	18.7	82.2	-	-	-	-
Income recognition on account of the RTI - SE Resolution 32/15	-	-	-	-	388.2	-	-	-	-	-
EBITDA	24.6	-129.3	234.1	-1.8	108.0	179.0	248.7	282.4	292.2	302.3
Depreciaciones	-	-39.2	-32.5	-27.8	-32.5	-27.6	-29.0	-31.2	-33.5	-37.2
EBIT	24.6	-168.4	201.6	-29.6	75.5	151.4	219.7	251.2	258.7	265.1
Financial income	12.4	15.4	44.0	27.9	15.3	32.0	42.2	45.0	47.8	52.3
Financial expenses	-35.0	-46.0	-77.4	-69.2	-35.3	-67.9	-70.9	-94.0	-114.3	-120.2
Other financial expense	-21.7	-34.2	-41.9	-38.4	-12.9	-35.7	-5.6	-6.0	-6.4	-7.0
Net financial expense (income)	-44.3	-64.8	-75.3	-79.6	-32.9	-71.6	-34.3	-55.0	-72.9	-74.9
(Loss) Profit before taxes	-19.7	-233.2	126.3	-109.2	42.6	79.8	185.4	196.2	185.9	190.2
Income tax	-19.1	23.7	6.8	18.1	-21.5	-9.1	-64.9	-68.7	-65.1	-66.6
(Loss) Profit for the year from continuing operations	-38.8	-209.5	133.1	-91.2	21.1	70.7	120.5	127.5	120.8	123.6
Discontinued operations	-28.9	3.4	-14.6	-	-	-	-	-	-	-
(Loss) Profit for the year	-67.7	-206.1	118.5	-91.2	21.1	70.7	120.5	127.5	120.8	123.6

In Millions USD	2012	2013	2014	2015F	2016F	2017F	2018F	2019F	2020F	TV
Net Income	-206.06	118.49	-91.18	21.09	70.71	120.51	127.53	127.17	129.80	
Subsidies	68.73	62.98	57.53	59.34	51.14	53.98	57.89	66.16	75.82	
Depreciations	39.16	32.53	27.79	32.50	27.64	29.03	31.18	35.25	39.10	
Working Capital (WC)	-18	-8	-3	-64	52	99	291	364	346	
WC variation Cash Flow	18	-6	-3	62	-98	-53	-203	-88	-0	
Debt with CAMMESA	-139	-273	-359	-329	-445	-434	-386	-368	-431	
Debt variation (Principal)	139	169	151	22	210	45	-0	3	81	
CAPEX Cash Flow	-	-133	-174	-150	-114	-125	-139	-147	-145	
FCF	-148.95	12.91	-240.95	25.01	-62.91	25.55	-125.21	-7.03	99.54	
Debt (Principal)			187	187	187	172.24	372.24	572.24	572.24	
Debt Variation (Principal)						-15	200	200		
FCFE				25.01	-62.91	10.79	74.79	192.97	99.54	1035.21

Ke				17.80%	16.90%	15.80%	15.00%	14.80%	14.60%	14.00%
Discounted FCFE				25.01	-53.81	7.97	48.04	107.98	48.60	443.38

Equity Value (in Millions USD)	627.2
ADRs Outstanding	45.2
ADR Price	13.87

No Change

Balance Sheet (in millions USD)	2011	2012	2013	2014	2015F	2016F	2017F	2018F	2019F	2020F
Property, plant and equipment	928.3	883.4	795.8	778.0	806.5	672.2	678.3	688.4	701.2	750.3
Total non-current assets	1134.9	1095.5	826.4	817.4	844.6	719.0	729.7	752.1	765.8	827.5
Inventories	10.5	17.3	12.9	8.7	7.9	6.6	6.8	7.6	8.5	8.5
Other receivables	17.7	25.9	80.1	29.3	39.0	29.0	30.8	18.9	29.6	16.9
Trade receivables	124.2	180.8	123.2	103.3	89.7	85.7	88.0	97.5	102.7	102.8
Financial assets at fair value through profit or loss	0.5	0.7	33.2	29.8	40.1	57.8	74.3	64.3	68.9	86.4
Total current assets	194.2	256.3	286.6	191.9	198.5	188.1	209.4	197.8	219.5	229.5
TOTAL ASSETS	1629.1	1397.3	1113.0	1009.2	1043.1	907.1	939.1	949.9	985.2	1057.0
Share capital	208.4	182.4	137.6	104.9	89.7	64.1	56.1	49.8	44.9	42.7
Accumulated deficit	-129.5	-180.0	-17.4	-104.4	-68.2	-7.8	46.4	75.4	88.2	111.3
TOTAL EQUITY	429.2	99.5	180.4	45.0	59.6	86.3	128.8	148.7	154.1	174.1
Other payables	319.2	385.3	144.9	192.3	161.0	151.7	123.8	85.7	54.5	50.3
Borrowings	276.5	274.6	200.9	186.9	187.0	187.0	172.2	172.2	353.6	354.5
Total non-current liabilities	782.0	833.8	429.2	457.5	450.4	388.6	348.3	313.0	446.1	438.5
Trade payables	144.9	245.7	380.5	385.9	405.6	320.4	321.9	358.2	254.9	289.9
Salaries and social security taxes payable	64.1	78.0	64.5	71.4	77.5	67.4	75.9	77.5	70.7	79.3
Total current liabilities	291.9	432.0	503.5	506.7	533.1	432.2	461.9	488.2	385.1	444.5
TOTAL LIABILITIES	1199.9	1297.8	932.6	964.2	983.5	820.8	810.3	801.2	831.2	882.9
TOTAL LIABILITIES AND EQUITY	1629.1	1397.3	1113.0	1009.2	1043.1	907.1	939.1	949.9	985.2	1057.0

Income Statement (in millions USD)	2011	2012	2013	2014	2015F	2016F	2017F	2018F	2019F	2020F
Continuing operations										
Revenue from sales	534.9	605.2	527.6	420.8	373.9	327.4	367.0	441.1	490.7	577.6
Electric power purchases	-262.8	-353.8	-314.4	-219.6	-196.4	-163.9	-168.9	-189.5	-210.8	-248.1
<i>Subtotal</i>	272.1	251.3	213.2	201.2	177.5	163.5	198.1	251.7	280.0	329.6
Transmission and distribution expenses	-225.5	-236.3	-285.3	-306.0	-315.8	-254.0	-242.0	-258.2	-274.2	-300.3
Gross (loss) income	46.6	15.0	-72.1	-104.8	-138.3	-90.5	-43.9	-6.5	5.8	29.3
Selling expenses	-60.9	-70.3	-82.7	-74.8	-76.5	-61.7	-58.8	-62.7	-66.6	-72.9
Administrative expenses	-45.7	-50.0	-48.6	-56.8	-63.6	-51.3	-49.0	-52.2	-55.5	-60.7
Other operating income/expense	-16.6	-24.0	-12.5	-31.1	-20.5	-14.9	-15.0	-16.0	-16.9	-18.6
Gain from acquisition of companies	101.1	-	-	-	-	-	-	-	-	-
Revenue from non-reimbursable customer contributions	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Operating loss before SE Resolution 250/13 and 32/15	24.6	-129.3	-215.7	-267.5	-298.9	-218.3	-166.6	-137.3	-133.1	-122.9
Higher costs recognition - SE Resolution 250/13 and subsequent	-	-	449.8	265.7	18.7	-	-	-	-	-
Income recognition on account of the RTI - SE Resolution 32/15	-	-	-	-	388.2	366.0	320.3	270.5	265.3	271.6
EBITDA	24.6	-129.3	234.1	-1.8	108.0	147.8	153.7	133.2	132.2	148.8
Depreciaciones	-	-39.2	-32.5	-27.8	-32.5	-27.1	-27.3	-27.7	-28.3	-30.2
EBIT	24.6	-168.4	201.6	-29.6	75.5	120.7	126.4	105.4	103.9	118.5
Financial income	12.4	15.4	44.0	27.9	15.3	23.8	25.9	27.7	29.4	32.2
Financial expenses	-35.0	-46.0	-77.4	-69.2	-35.3	-67.9	-70.9	-74.5	-95.7	-101.7
Other financial expense	-21.7	-34.2	-41.9	-38.4	-12.9	-35.7	-5.6	-6.0	-6.4	-7.0
<i>Net financial expense (income)</i>	<i>-44.3</i>	<i>-64.8</i>	<i>-75.3</i>	<i>-79.6</i>	<i>-32.9</i>	<i>-79.8</i>	<i>-50.5</i>	<i>-52.8</i>	<i>-72.7</i>	<i>-76.4</i>
(Loss) Profit before taxes	-19.7	-233.2	126.3	-109.2	42.6	40.9	75.8	52.6	31.2	42.1
Income tax	-19.1	23.7	6.8	18.1	-21.5	-	-22.6	-18.4	-10.9	-14.7
(Loss) Profit for the year from continuing operations	-38.8	-209.5	133.1	-91.2	21.1	40.9	53.3	34.2	20.3	27.4
Discontinued operations	-28.9	3.4	-14.6	-	-	-	-	-	-	-
(Loss) Profit for the year	-67.7	-206.1	118.5	-91.2	21.1	40.9	53.3	34.2	20.3	27.4

In Millions USD	2012	2013	2014	2015F	2016F	2017F	2018F	2019F	2020F	TV
Net Income	-206.06	118.49	-91.18	21.09	40.87	53.25	34.20	21.36	28.72	
Subsidies	68.73	62.98	57.53	59.34	-	-	-	-	-	
Depreciations	39.16	32.53	27.79	32.50	27.09	27.33	27.74	29.74	31.74	
Working Capital (WC)	-18	-8	-3	-59	-43	-53	-66	-23	-74	
WC variation Cash Flow	18	-6	-3	57	0	15	19	-40	52	
Debt with CAMMESA	-139	-273	-359	-329	-260	-261	-290	-218	-247	
Debt variaton (Principal)	139	169	151	22	25	34	58	-58	40	
CAPEX Cash Flow	-	-133	-174	-150	-100	-94	-89	-89	-90	
FCF	-148.95	12.91	-240.95	19.95	-31.55	2.18	-7.75	-77.99	22.15	
Debt (Principal)			187	187	187	172.24	172.24	372.24	372.24	
Debt Variation (Principal)						-14.76		200.00		
FCFE				19.95	-31.55	-12.58	-7.75	122.01	22.15	211.30
Ke				17.80%	17.10%	16.10%	15.40%	15.60%	15.50%	14.90%
Discounted FCFE				19.95	-26.94	-9.25	-4.94	67.28	10.57	87.79

Equity Value (in Millions USD)	144.45
ADRs Outstanding	45.2
ADR Price	3.19

Weighted Average Financial Statement

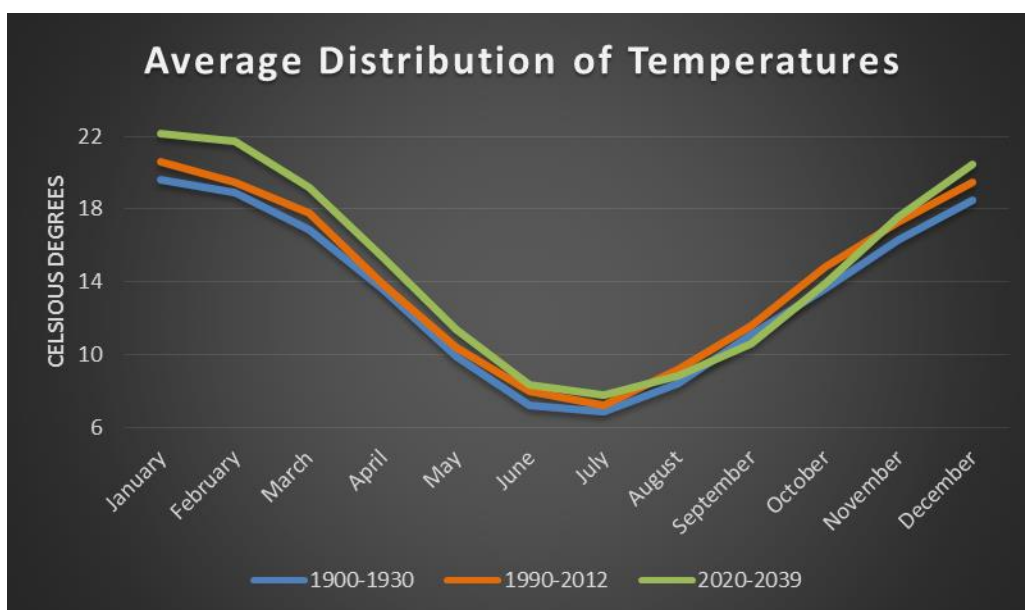
Balance Sheet (in millions USD)	2011	2012	2013	2014	2015F	2016F	2017F	2018F	2019F	2020F
Property, plant and equipment	928.3	883.4	795.8	778.0	806.5	689.5	720.8	762.4	805.6	886.6
Total non-current assets	1134.9	1095.5	826.4	817.4	829.4	728.1	758.7	813.0	863.7	963.2
Inventories	10.5	17.3	12.9	8.7	7.9	16.1	29.4	45.4	54.1	59.1
Other receivables	17.7	25.9	80.1	29.3	48.6	42.6	46.3	49.1	50.5	45.8
Trade receivables	124.2	180.8	123.2	103.3	89.7	204.3	281.0	396.1	438.8	463.1
Financial assets at fair value through profit or loss	0.5	0.7	33.2	29.8	41.7	72.3	82.9	98.5	108.8	127.7
Total current assets	194.2	256.3	286.6	191.9	209.5	349.6	455.6	610.6	675.0	723.4
TOTAL ASSETS	1629.1	1397.3	1113.0	1009.2	1038.9	1077.7	1214.4	1423.2	1538.6	1686.5
Share capital	208.4	182.4	137.6	104.9	89.7	64.1	56.1	49.8	44.9	42.7
Accumulated deficit	-129.5	-180.0	-17.4	-104.4	-68.2	70.9	166.2	224.4	290.4	387.8
TOTAL EQUITY	429.2	99.5	180.4	45.0	59.6	165.1	248.6	297.6	356.3	450.6
Other payables	319.2	385.3	144.9	192.3	165.9	105.4	103.5	101.3	84.6	65.7
Borrowings	276.5	274.6	200.9	186.9	187.0	187.0	172.2	387.7	528.2	529.5
Total non-current liabilities	782.0	833.8	429.2	457.5	439.5	347.0	328.6	541.1	649.4	627.6
Trade payables	144.9	245.7	380.5	385.9	405.6	449.6	502.7	461.7	411.4	471.2
Salaries and social security taxes payable	64.1	78.0	64.5	71.4	78.0	68.7	70.0	71.4	69.7	74.1
Total current liabilities	291.9	432.0	503.5	506.7	539.8	564.7	636.3	583.8	532.3	607.8
TOTAL LIABILITIES	1199.9	1297.8	932.6	964.2	979.3	911.7	965.0	1124.9	1181.7	1235.3
TOTAL LIABILITIES AND EQUITY	1629.1	1397.3	1113.0	1009.2	1038.9	1076.8	1213.5	1422.5	1538.0	1685.9
Income Statement (in millions USD)	2011.0	2012.0	2013.0	2014.0	2015F	2016F	2017F	2018F	2019F	2020F
Continuing operations										
Revenue from sales	534.9	605.2	527.6	420.8	373.9	886.4	1327.7	1712.3	1938.5	2265.0
Electric power purchases	-262.8	-353.8	-314.4	-219.6	-196.4	-400.1	-762.1	-1127.5	-1294.5	-1541.4
Subtotal	272.1	251.3	213.2	201.2	177.5	486.2	565.6	584.8	644.0	723.6
Transmission and distribution expenses	-225.5	-236.3	-285.3	-306.0	-315.8	-254.0	-242.0	-258.2	-274.2	-300.3
Gross (loss) income	46.6	15.0	-72.1	-104.8	-138.3	232.3	323.5	326.6	369.8	423.3
Selling expenses	-60.9	-70.3	-82.7	-74.8	-76.5	-61.7	-58.8	-62.7	-66.6	-72.9
Administrative expenses	-45.7	-50.0	-48.6	-56.8	-63.6	-51.3	-49.0	-52.2	-55.5	-60.7
Other operating income/expense	-16.6	-24.0	-12.5	-31.1	-20.5	-14.9	-15.0	-16.0	-16.9	-18.6
Gain from acquisition of companies	101.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating loss before SE Resolution 250/13 and 32/15	24.6	-129.3	-215.7	-267.5	-298.9	104.5	200.9	195.8	230.9	271.1
Higher costs recognition - SE Resolution 250/13 and subsequent Notes	0.0	0.0	449.8	265.7	18.7	78.6	0.0	0.0	0.0	0.0
Income recognition on account of the RTI - SE Resolution 32/15	0.0	0.0	0.0	0.0	388.2	67.3	28.7	11.6	11.4	11.6
EBITDA	24.6	-129.3	234.1	-1.8	108.0	250.5	229.6	207.4	242.3	282.8
Depreciaciones	0.0	-39.2	-32.5	-27.8	-32.5	-27.8	-29.0	-30.7	-32.5	-35.7
EBIT	24.6	-168.4	201.6	-29.6	75.5	222.7	200.5	176.7	209.8	247.1
Financial income	12.4	15.4	44.0	27.9	15.3	32.0	40.1	42.8	45.4	49.7
Financial expenses	-35.0	-46.0	-77.4	-69.2	-35.3	-67.9	-70.9	-95.5	-112.8	-118.7
Other financial expense	-21.7	-34.2	-41.9	-38.4	-12.9	-35.7	-5.6	-6.0	-6.4	-7.0
Net financial expense (income)	-44.3	-64.8	-75.3	-79.6	-32.9	-71.6	-36.4	-58.7	-73.7	-76.0
(Loss) Profit before taxes	-19.7	-233.2	126.3	-109.2	42.6	151.1	164.1	117.9	136.1	171.1
Income tax	-19.1	23.7	6.8	18.1	-33.1	-40.5	-60.0	-41.3	-47.6	-59.9
(Loss) Profit for the year from continuing operations	-38.8	-209.5	133.1	-91.2	21.1	119.7	104.1	76.7	88.5	111.2
Discontinued operations	-28.9	3.4	-14.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Loss) Profit for the year	-67.7	-206.1	118.5	-91.2	21.1	119.7	104.1	76.7	88.5	111.2

Appendix XIII – Board of Directors & Executive Officers

Board of Directors	
Name	Position
Ricardo Torres	Chairman
Gustavo Mariani	Vice Chairman
Pablo Díaz	Director
Marcos Marcelo Mindlin	Director
Maximiliano Alejandro Volosín	Director
Eduardo Llanos	Director
Edgardo Alberto Volosín	Director
Emmanuel Alvarez Agis	Director
Juan Miguel Cuattromo	Director
Eduardo Setti	Director
Eduardo Endeiza	Director
Santiago Durán Cassiet	Director

Executive Officers	
Name	Position
Ricardo Torres	Chairman
Leandro Carlos Montero	CFO
Daniel Eduardo Flaks	Technical Director
Eduardo Maggi	Distribution and Comercialization Director
Carlos Ariosa	Corporative Affairs Director
Gerardo Tabakman	Technology Director
Mariana de la Fuente	HRRR Director

Appendix XIV – Average Distribution of Temperatures



Source: The World Bank

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