

**EDENOR S.A.**

**FINANCIAL STATEMENTS AS OF DECEMBER 31, 2006 AND 2005  
INDEPENDENT AUDITOR'S REPORT**

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR S.A.)****BOARD OF DIRECTORS**

CHAIRMAN: Alejandro Macfarlane

VICE CHAIRMAN: Marcos Marcelo Mindlin

DIRECTORS: Damián Miguel Mindlin  
Gustavo Mariani  
Luis Pablo Rogelio Pagano  
Gustavo María Giugale  
Javier Antonio González Fraga  
Henri Joseph Lafontaine  
Edouard Dahome  
Edgardo Alberto Volosín  
Ignacio Raúl Chojo Ortiz  
Osvaldo Oscar Ramini

ALTERNATE DIRECTORS: Jorge Grecco  
Javier Douer  
Pablo Díaz  
Damián Burgio  
Brian Henderson  
Martín Alejandro Mittelman  
Ricardo Torres  
Jaques Andries  
José Carlos Cueva  
Alejandro Mindlin  
Carlos Florencio Correa Urquiza  
Domingo Antonio Sia

SECRETARY: Jaime Javier Barba

**SUPERVISORY COMMITTEE**

MEMBERS: Diego Martín Salaverri  
José Daniel Abelovich  
Roberto Horacio Crouzel

ALTERNATE MEMBERS: Javier Errecondo  
Marcelo Héctor Fuxman  
Rafael Marcelo Lobos

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR S.A.)**

Azopardo 1025 - Capital Federal

**FISCAL YEAR No. 15 BEGINNING ON JANUARY 1, 2006****FINANCIAL STATEMENTS AS OF DECEMBER 31, 2006**

**Main business:** Distribution of electricity and commercial services in the area and under the terms of the concession agreement by which this public service is regulated (Note 1).

**Date of Registration with the Public Registry of Commerce:**

**of the Articles of Incorporation:** August 3, 1992

**of the last amendment to the By-laws:** September 20, 2006

**Term of the Corporation:** Through August 3, 2087

**Registration number with the “Inspección General de Justicia” (the Argentine governmental regulatory agency of corporations):** 1,559,940

**CAPITAL STRUCTURE****AS OF DECEMBER 31, 2006**

(amounts stated in pesos)

<u>Class of shares</u> (Note 22 a)	<u>Subscribed and paid-in</u>
Common, book-entry shares, face value 1 and 1 vote per share	
Class A	424,121,202
Class B	324,327,978
Class C	<u>83,161,020</u>
	<u>831,610,200</u>

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR S.A.)**

(English translation of the financial statements originally issued in Spanish - Note 33)

**BALANCE SHEETS AS OF DECEMBER 31, 2006 AND 2005**

(stated in thousands of pesos)

	2006	2005		2006	2005
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
Cash and banks	481	11,659	Trade accounts payable (Note 6)	267,640	205,063
Investments (Exhibit D)	32,192	296,480	Loans (Note 7)	2,029	1,620,126
Trade receivables (Note 4)	270,938	231,929	Salaries and social security taxes (Note 8)	51,446	34,141
Other receivables (Note 5)	30,221	21,702	Taxes (Note 9)	62,192	67,887
Supplies	13,635	13,795	Other liabilities (Note 10)	26,380	175,792
Total Current Assets	347,467	575,565	Accrued litigation (Exhibit E)	25,914	18,332
			Total Current Liabilities	435,601	2,121,341
<b>NON-CURRENT ASSETS</b>			<b>NON-CURRENT LIABILITIES</b>		
Other receivables (Note 5)	256,475	74,724	Trade accounts payable (Note 6)	31,250	26,762
Investments in other companies (Exhibit C)	378	368	Loans (Note 7)	1,095,490	0
Supplies	4,921	36,523	Salaries and social security taxes (Note 8)	20,287	12,412
Property, plant and equipment (Exhibit A)	2,925,422	2,889,270	Other liabilities (Note 10)	241,079	0
Total Non-Current Assets	3,187,196	3,000,885	Accrued litigation (Exhibit E)	40,606	38,651
			Total Non-Current Liabilities	1,428,712	77,825
<b>Total Assets</b>	<b>3,534,663</b>	<b>3,576,450</b>	<b>Total Liabilities</b>	<b>1,864,313</b>	<b>2,199,166</b>
			<b>SHAREHOLDERS' EQUITY (as per related statement)</b>	<b>1,670,350</b>	<b>1,377,284</b>
			<b>Total Liabilities and Shareholders' Equity</b>	<b>3,534,663</b>	<b>3,576,450</b>

The accompanying notes 1 through 33 and supplemental exhibits A, C, D, E, G and H are an integral part of these financial statements

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR S.A.)**

(English translation of the financial statements originally issued in Spanish - Note 33)

**STATEMENTS OF INCOME**

**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

(stated in thousands of pesos)

	2006	2005
Net sales (Note 11)	1,378,326	1,262,210
Electricity purchases	(799,073)	(757,675)
<b>Subtotal</b>	<b>579,253</b>	<b>504,535</b>
Transmission and distribution expenses (Exhibit H)	(362,118)	(346,132)
Administrative expenses (Exhibit H)	(93,299)	(72,874)
Selling expenses (Exhibit H)	(87,930)	(85,967)
<b>Net operating income (loss)</b>	<b>35,906</b>	<b>(438)</b>
Financial income (expenses) and holding gains (losses)		
Generated by assets		
Exchange difference	2,569	2,072
Interest	13,885	12,885
Holding gain (loss)	89	(567)
Generated by liabilities		
Financial expenses (*)	(25,404)	(14,130)
Exchange difference	(13,318)	(28,989)
Interest (**)	(101,280)	(119,542)
Holding (loss)	0	(240)
Gain on extinguishment of former debt (Note 3.k)	179,243	0
Adjustment to present value of notes (Note 3.k)	57,138	0
Other expense, net (Note 12)	(22,944)	(652)
<b>Income (loss) before taxes</b>	<b>125,884</b>	<b>(149,601)</b>
Income tax (Note 3.n)	167,182	0
<b>Net income (loss) for the year</b>	<b>293,066</b>	<b>(149,601)</b>
<b>Earnings (losses) per common share</b>	<b>0.352</b>	<b>(0.180)</b>

(\*) The breakdown of financial expenses is as follows:

Fees related to the initial public offering of capital stock (Note 29)	(10,604)	0
Financial assistance Electricidad Argentina S.A. (Note 21)	(8,133)	0
Financial fees	(390)	(4,486)
Withholdings income tax	(4,131)	(6,995)
Bank charges and commission	(2,146)	(2,649)
<b>Total</b>	<b>(25,404)</b>	<b>(14,130)</b>

(\*\*) Includes 7,873 and 22,581 as of December 31, 2006 and 2005, respectively, with Related Parties (Note 21) and 46,972 as of December 31, 2006 for adjustment of the penalties.

The accompanying notes 1 through 33 and supplemental exhibits A, C, D, E, G and H are an integral part of these financial statements

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR S.A.)**

(English translation of the financial statements originally issued in Spanish - Note 33)

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

(stated in thousands of pesos)

	2006						2005
	Shareholders' contributions			Retained earnings		Total	Total
	Nominal Value (Note 22.a)	Adjustment to Capital	Total	Appropriated Retained Earnings Legal Reserve	Unappropriated Retained Earnings Accumulated Deficit		
Balance at beginning of year	831,610	996,489	1,828,099	53,320	(504,135)	1,377,284	1,526,885
Net income (loss) for the year	-	-	-	-	293,066	293,066	(149,601)
Balance at end of year	831,610	996,489	1,828,099	53,320	(211,069)	1,670,350	1,377,284

The accompanying notes 1 through 33 and supplemental exhibits A, C, D, E, G and H are an integral part of these financial statements

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR S.A.)**

(English translation of the financial statements originally issued in Spanish - Note 33)

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

(stated in thousands of pesos)

	2006	2005
<b>Changes in cash and cash equivalents</b>		
Cash and cash equivalents at beginning of year	308,139	251,112
Cash and cash equivalents at end of year	32,673	308,139
(Decrease) Increase in cash and cash equivalents	(275,466)	57,027
<b>Causes for Increase (Decrease) in cash and cash equivalents</b>		
<b>Cash flows from operating activities</b>		
Net income (loss) for the year	293,066	(149,601)
<b>Adjustments to reconcile net income (loss) to net cash flows provided by operating activities</b>		
Depreciation of property, plant and equipment (Exhibit A)	178,980	178,443
Retirement of property, plant and equipment (Exhibit A)	650	894
(Loss) gain from investments in related companies	(10)	5
Gain on extinguishment of former debt (Note 3.k)	(179,243)	0
Adjustment to present value of notes (Note 3.k)	(57,138)	0
Exchange difference, interest and penalties on loans	49,061	138,975
Supplies recovered from third parties	(5,782)	0
Income tax (Note 3.n)	(167,182)	0
<b>Changes in assets and liabilities:</b>		
Net (increase) in trade receivables	(39,009)	(37,099)
Net (increase) in other receivables	(23,088)	(27,152)
Decrease (Increase) in supplies	1,433	(5,411)
Increase (Decrease) in trade accounts payable	67,065	54,428
Increase (Decrease) in salaries and social security taxes	25,180	4,459
(Decrease) Increase in taxes	(5,695)	23,574
Increase in other liabilities	91,667	42,774
Net increase in accrued litigation	9,537	1,676
Financial interest paid (net of interest capitalized) (Note 24)	(26,668)	(46,494)
Financial interest collected (Note 24)	2,175	2,038
<b>Net cash flows provided by operating activities</b>	214,999	181,509
<b>Cash flows from investing activities</b>		
Additions of property, plant and equipment	(179,671)	(124,482)
<b>Net cash flows used in investing activities</b>	(179,671)	(124,482)
<b>Cash flows from financing activities</b>		
Debt restructuring payment	(310,794)	0
<b>Net cash flows used in financing activities</b>	(310,794)	0
<b>(Decrease) Increase in Cash and Cash Equivalents</b>	(275,466)	57,027

The accompanying notes 1 through 33 and supplemental exhibits A, C, D, E, G and H are an integral part of these financial statements

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A.  
(EDENOR S.A.)**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2006 AND 2005**

(stated in thousands of pesos)

**1. ORGANIZATION AND START UP OF THE COMPANY**

In compliance with Law N° 24,065 and in agreement with the reform process of the Argentine Federal Government and the privatization program of Argentine state-owned companies, the entire business of generation, transportation, distribution and sale of electric power carried on by Servicios Eléctricos del Gran Buenos Aires S.A. (SEGBA) was declared to be subject to privatization; the operation was divided into seven business units: three for the distribution and four for the generation of electric power.

On May 14, 1992, the Ministry of Economy and Public Works and Utilities, by Resolution N° 591/92, approved the Bidding Terms and Conditions (Bid Package) of the International Public Bidding for the sale of the Class "A" shares, representing 51% of the capital stock of Empresa Distribuidora Norte S.A. (hereinafter, "EDENOR" or "the Company") and Empresa Distribuidora Sur S.A. (EDESUR S.A.), two of the three electric power distribution companies into which SEGBA had been divided.

EDF International (EDF S.A.), Empresa Nacional Hidroeléctrica del Ribagorzana, S.A. (ENHER), Astra Compañía Argentina de Petróleo S.A. (ASTRA), Société D'Aménagement Urbain et Rural (SAUR), Empresa Nacional de Electricidad S.A. (ENDESA) and J.P. Morgan International Capital Corporation formed Electricidad Argentina S.A. (EASA) to bid for the Class "A" shares of EDENOR, a company organized on July 21, 1992 by Decree N° 714/92 of the Federal Government.

EASA was awarded the Class "A" shares of EDENOR based on a bid of US\$ 427,972,977 (equivalent to the same amount in Argentine pesos as of such date). The corresponding contract for the transfer of 51% of EDENOR's capital stock was executed on August 6, 1992. The award as well as the transfer contract were approved on August 24, 1992 by Decree N° 1,507/92 of the Federal Government. Finally, on September 1, 1992, EASA took over the operations of EDENOR.

In accordance with the provisions of Decree N° 282/93 of the Federal Government, dated February 22, 1993, the recorded values of assets, liabilities and net capital arising from the transfer of SEGBA, were determined on the basis of the price actually paid for 51% of EDENOR's capital stock (represented by the totality of Class "A" shares). This price was also used as the basis to determine the value of the remaining 49% of the capital stock. In order to determine the value of the assets transferred from SEGBA, the amount of liabilities assumed was added to the value of the total capital stock of 831,610, determined as indicated above. Management estimates that the amounts of the assets transferred from SEGBA represented their fair values as of the date of the privatization.

The corporate purpose of EDENOR is to engage in the distribution and sale of electricity within the concession area. Furthermore, the Company may subscribe or acquire shares of other electricity distribution companies, subject to the approval of the regulatory agency, lease the network to provide electricity transmission or other voice, data and image transmission services, and render advisory, training, maintenance, consulting, and management services and know-how related to the distribution of electricity both in Argentina and abroad. These activities may be conducted directly by EDENOR or through subsidiaries or related companies. In addition, the Company may act as trustee of trusts created under Argentine laws, including extending secured credit facilities to service vendors and suppliers acting in the distribution and sale of electricity, who have been granted guarantees by reciprocal guarantee companies owned by the Company.

On June 12, 1996, the Extraordinary Shareholders' Meeting approved the change of the Company's name to Empresa Distribuidora y Comercializadora Norte S.A. (EDENOR S.A.) so that the new name would reflect the description of the Company's core business. The amendment to the Company's by-laws as a consequence of the change of the name was approved by National Regulatory Authority for the Distribution of Electricity (ENRE - *Ente Nacional Regulador de la Electricidad*), through Resolution N° 417/97 and registered with the Public Registry of Commerce on August 7, 1997.

On May 4 and June 29, 2001, EDF International S.A. (a wholly-owned subsidiary of EDF) acquired all the shares of EASA and EDENOR held by ENDESA Internacional, YPF S.A. (surviving company of ASTRA) and SAUR. Therefore, the direct and indirect interest of EDF International S.A. (EDFI) in EDENOR increased to 90%.

On April 25, 2005, the Company received a notice from EDFI whereby it was informed that EDFI, in its capacity as the majority shareholder of EASA, which was the controlling company of EDENOR, had hired the services of the investment bank J.P. Morgan in order to evaluate strategic alternatives related to its investment and that for such purpose it had started preliminary conversations with interested third parties on a non-exclusive and non-binding basis.

On May 24, 2005, EDFI informed that after having examined different proposals it had decided to start exclusive negotiations with Grupo Dolphin S.A. and a group of associated investors ("Dolphin") for the possible transfer of an equity interest in EASA and EDENOR. Consequently, EDFI informed that it would conduct negotiations with Dolphin aimed at entering into final agreements or that it would continue to evaluate other strategic alternatives regarding its investment in EASA and EDENOR, should those final agreements not be reached.

In addition, on June 29, 2005, the Board of Directors of EDF approved a draft agreement with Dolphin Energía S.A. (Dolphin) pursuant to which it would assign 65% of EDENOR's capital stock (held by EDFI) through the transfer of all Class "A" common shares held by EASA and 14% of the Class "B" common shares. In this manner, EDFI would retain a 25% interest in EDENOR. The remaining 10% would be kept by the employees according to the Employee Stock Ownership Program (ESOP – Note 22 c). The closing of the agreement took place upon its approval by the corresponding French and Argentine governmental authorities.

On September 15, 2005, by virtue of the stock purchase-sale agreement entered into by EDFI and Dolphin and Dolphin's subsequent partial assignments of its interest in EASA and EDENOR to IEASA S.A. (IEASA) and New Equity Ventures LLC (NEV), the formal take over by Dolphin took place at the offices of Caja de Valores S.A., together with the change in the indirect control of EDENOR through the acquisition of 100% of the capital stock of EASA, which is the controlling company of EDENOR, by Dolphin (90%) and IEASA (10%). Furthermore, as a result of the aforementioned agreement, the ownership of EDENOR's Class "B" common shares (representing 39% of its capital stock) changed with 14% of the Company's capital stock now being held by NEV and the remaining 25% being kept by EDFI.

Furthermore, on such date certain contracts and agreements were signed, including the following:

i) a voting trust agreement among Dolphin, IEASA, NEV and EDFI, the purpose of which being among others, to regulate certain issues related to the Company's governance and management, such as the appointment of directors and Supervisory Committee members, certain matters requiring special treatment and qualified majorities and the hiring of first class auditors;

ii) a Registration Rights Agreement among EDFI, Dolphin and the Company with the purpose of establishing the procedures and mechanisms through which the shareholder EDFI would be able to sell its shareholding in EDENOR in any international stock market, should the Company wish to do so, provided certain conditions are complied with.

The Registration Rights Agreement provides for the performance of formal obligations but does not stipulate any penalties in the event of non-compliance.

iii) In addition, until its cancellation on July 13, 2006, there was a pledge agreement among EDFI, EDF S.A., DOLPHIN and NEV pursuant to which NEV had granted in favor of EDFI and EDF S.A. a first-priority preferred security interest on the Class “B” shares it holds in EDENOR (representing 14% of EDENOR’s capital stock), as security for the performance of certain obligations.

Furthermore, at the Ordinary and Extraordinary Shareholders’ Meeting held on September 15, 2005, the following was resolved: i) to approve the amendment to the Company’s By-laws in order to increase the number of Class “A” Directors and Alternate Directors from five to seven, and from three to four the number of Class “B” Directors and Alternate Directors; in other words, to increase the number of Directors and Alternate Directors from nine to twelve, respectively. This amendment was approved by the ENRE through Resolution N° 563/05; ii) to ratify the amendment to the Audit Committee’s Regulations that had been approved by the Company’s Board of Directors on August 30, 2005, pursuant to which the number of Committee members was reduced to three, with the requirement that two of them be independent; iii) to approve both the resignations of all Class “A” and Class “B” Directors, and Supervisory Committee members and the appointment of their replacements.

Subsequently, the Ordinary and Extraordinary Shareholders’ Meeting held on October 11, 2005 approved by a majority vote the actions taken by the Board of Directors and Supervisory Committee members who resigned as of September 15, 2005 upon the Company’s take-over by the new shareholder.

## **2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS**

### **Financial statements presentation**

These financial statements have been prepared in accordance with accounting principles generally accepted in the Autonomous City of Buenos Aires, Argentina (hereinafter “Argentine GAAP”) and the criteria established by the National Securities Commission (CNV), taking into account that which is mentioned in the following paragraphs.

As from January 1, 2003 and as required by General Resolution N° 434/03 of the CNV, the Company reports the results of its operations, determines the values of its assets and liabilities and determines its profit and loss in conformity with the provisions of Technical Resolutions (TR) N° 8, 9 and 16 through 18 (amended text June 2003). As from January 1, 2004, the Company has applied the provisions of TR N° 21 of the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) as approved by the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires (CPCECABA), with specific few exceptions and clarifications introduced by General Resolution N° 459/04 of the CNV.

### **Consideration of the effects of inflation**

The financial statements fully reflect the effects of the changes in the purchasing power of the currency through August 31, 1995. As from such date, and in accordance with generally accepted accounting principles and the requirements of control authorities, the restatement of the financial statements to reflect the effects of inflation was discontinued until December 31, 2001. As from January 1, 2002, and in accordance with generally accepted accounting principles, it was established that inflation adjustment be reinstated and that the accounting basis restated as a result of the change in the purchasing power of the currency through August 31, 1995, as well as transactions with original date as from such date through December 31, 2001, be considered as restated as of the later date. The financial statements have been restated to reflect the effects of inflation based on the variations of the Domestic Wholesale Price Index.

On March 25, 2003, the Federal Government issued Decree N° 664 establishing that financial statements for fiscal years ending as from such date had to be prepared in nominal currency. Consequently, and in accordance with Resolution N° 441 of the CNV, the Company discontinued the restatement of its financial statements as from March 1, 2003. This criterion does not agree with generally accepted accounting principles which establish that financial statements were to be restated through September 30, 2003. The Company has estimated that, the difference that would arise, it does not have a significant effect on the financial statements.

### Changes in generally accepted accounting principles

The CNV through its General Resolutions N° 485/05 and 487/06 decided to implement certain changes in the generally accepted accounting principles effective for fiscal years or interim periods beginning as from January 1, 2006, by requiring the application of TR N° 6, 8, 9, 11, 14, 16, 17, 18, 21, and 22 and Interpretations 1, 2, 3, and 4, of the FACPCE with the amendments introduced by such Federation through April 1, 2005 (Resolution N° 312/05) and adopted by the CPCECABA (Resolution CD N° 93/05) with certain amendments and clarifications.

Among the aforementioned changes the following can be noted: i) the comparison between the original values of certain assets and their recoverable values, using discounted cash-flows; ii) the consideration of the difference between the accounting and tax values resulting from the adjustment for inflation included in non-monetary assets, as a temporary difference, allowing the Company to either recognize a deferred tax liability or to disclose the effect of such accounting change in a note to the financial statements and (iii) the capitalization of interest cost on certain assets (only those assets that require an extended period of time to be produced or acquired would qualify) during the term of their construction and until they are in condition to be used.

The Company has completed its analysis of the impact of the application of the change mentioned in the preceding paragraph under (i) on its property, plant and equipment and has estimated that said change **does** not have a significant impact on the Company's financial position or net income **for the year ended** December 31, 2006, given that the fair value - defined as the discounted value of net cash flows arising from both the use of the assets and their final disposal-, exceeds their recorded value (Note 3.h). The Company has made projections in order to determine the recoverable value of its non-current assets, based on the estimated outcome of the renegotiation process described in Note 23 b.

With regard to item (ii), the Company has decided to disclose said effect in a note to the financial statements. Had the Company chosen to recognize the effect of the adjustment for inflation of its property, plant and equipment as a temporary difference, as of December 31, 2006 a deferred tax liability of approximately 469,668 would have been recorded. As a result, a debit to prior year adjustment (unappropriated retained earnings - accumulated deficit) amounting to 503,075 and a credit to net income for the **year**, under the income tax account, amounting to 33,407, excluding the effects of the allowance for impairment of value of net deferred tax assets, would have been recorded.

Additionally, had the Company elected to recognize a deferred tax liability in subsequent years, the Company would have recorded an income tax charge lower than the charge that will be recorded as a result of maintaining the criterion applied up to the moment, whose distribution in subsequent years has been estimated as follows:

Year	Effect on deferred tax result Nominal value
2007	29,898
2008	27,541
2009	26,396
2010	25,011
2011 – 2015	111,174
2016 – 2020	92,321
Remainder	<u>157,327</u>
<b>Total</b>	<u>469,668</u>

In accordance with the provisions of TR N° 17, financial costs in relation to any given asset may be capitalized when such asset is in the process of production, construction, assembly or completion, and such processes, due to their nature, take long periods of time; those processes are not interrupted; the period of production, construction, assembly or completion does not exceed the technically required period; the necessary activities to put the asset in a condition to be used or sold are not substantially complete; and the asset is not in condition to be used in the production or start up of other assets, depending on the purpose pursued with its production, construction, assembly or completion. The Company capitalized financial costs on property, plant and equipment from 1997 to 2001 and during the year ended December 31, 2006. Financial costs capitalized for the year ended December 31, 2006 amounted to 9,283.

On May 24, 2006 the Board of the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires approved TR N° 23 "Generally Accepted Accounting Principles – Employee benefits upon termination of labor relationship and other long-term benefits". This resolution will be in effect for the Company's financial statements for fiscal years or interim periods beginning as from January 1, 2007. The Company estimates that the application of said resolution will not have a significant impact in the valuation on its financial statements.

### **3. VALUATION CRITERIA**

The main valuation criteria used in the preparation of the financial statements are as follow:

**a) Cash and banks:**

- In local currency: at nominal value.
- In foreign currency: at the exchange rate in effect as of **each year-end**. The corresponding detail is disclosed in Exhibit G.

**b) Current investments:**

Current investments include:

- Time deposits, which include the portion of financial results accrued through the end of **each year**; those denominated in foreign currency have been valued at the rate of exchange in effect as of **each year-end**, and
- Money market funds, which have been valued at the prevailing market price as of **each year-end**.

**c) Trade receivables:**

These are stated at their nominal value. They include services billed but not collected, and services rendered but unbilled as of the end of **each year**. The amount thus determined:

1. is net of an allowance for doubtful accounts, as described in more detail in paragraph i) of this Note.
2. considering the effects of what it is stated in Note 13.

**d) Other receivables and liabilities (excluding loans):**

- In local currency: at nominal value.
- In foreign currency: at the exchange rate in effect as of the **each year-end**. (Exhibit G)

Other receivables and payables include the portion of financial results accrued through the end of **each year**, segregating the implicit financing components whenever they are significant.

Trade accounts payable have been valued at nominal value including, if any, financial results accrued as of the end of each year. The values thus obtained do not differ significantly from those that would have been obtained if the generally accepted accounting principles had been applied, inasmuch as they establish that trade accounts payable must be valued at their estimated cash price at the time of the transaction, plus interest and implicit financing components accrued on the basis of the internal rate of return determined at such opportunity.

Other receivables and liabilities have been valued at their nominal value including, if any, financial results accrued as of the end of the year. The values thus obtained do not differ significantly from those that would have been obtained if the generally accepted accounting principles had been applied, inasmuch as they establish that other receivables and liabilities must be valued on the basis of the best estimate amount to be collected and paid, respectively, discounted at a rate that reflects the time value of money and the specific risks to the transaction estimated at the time of their being recorded in assets and liabilities, respectively.

**e) Municipal Bonds**

The Municipal Financial Restructuring Bonds (*Bonos de Saneamiento Financiero Municipal*) issued pursuant to Law N° 11,752 have been valued at their conversion value according to the legislation mentioned in Note 31 (i.e. face value converted into pesos at the rate of 1.40 Argentine Pesos per US Dollar), restated for inflation as of the end of the year, including the inflation-linked CER (“benchmark stabilization coefficient”) adjustment and interest accrued through the end of the year at an annual rate of 4%.

Due to impairment indicators, the Company has recorded an allowance to adjust the value of the above mentioned bonds to their expected recoverable amount (Notes 3.i and 32.b, and Exhibit E).

**f) Supplies:**

At acquisition cost restated to reflect the effects of inflation as indicated in Note 2. The consumption of supplies has been valued based on the average cost method.

The Company has classified supplies into current and non-current depending on whether they will be used for preventive maintenance or capital expenditures.

The carrying value of supplies, taken as a whole, does not exceed their recoverable value.

**g) Non-current investments:**

It represents the 50% interest held in the related company SACME S.A. (a company organized by means of equal contributions by distribution companies EDENOR S.A. and EDESUR S.A. in accordance with the Bid Package). SACME S.A. is in charge of monitoring the electric power supplied to the aforementioned distributors. As of December 31, 2006 and 2005, the investment in SACME has been recorded at its equity value.

In order to determine the equity value, the related Company’s audited financial statements as of December 31, 2006 and 2005 have been used. The accounting principles used by SACME are similar to those applied by EDENOR for the preparation of its financial statements.

**h) Property, plant and equipment:**

Property, plant and equipment transferred by SEGBA on September 1, 1992 were valued as of the privatization date as described below, and restated to reflect the effects of inflation as indicated in Note 2. The total value of the assets transferred from SEGBA was allocated to individual assets accounts on the basis of engineering studies conducted by the Company.

The total value of property, plant and equipment has been determined based on the US\$ 427 million price effectively paid by EASA for the acquisition of 51% of the Company's capital stock at acquisition date. Such price was used to value the entire capital stock of EDENOR at 832 million pesos, which, when added to the fair value of the debts assumed by the Company under the SEGBA Privatization Bid Package for 139.2 million less the fair value of certain assets received from SEGBA for 103.2 million, valued property plant and equipment at 868 million; which management estimates was their fair value as of September 1, 1992.

SEGBA neither prepared separate financial statements nor maintained financial information or records with respect to its distribution operations or the operations in which the assets transferred to EDENOR were used. Accordingly, it was not possible to determine the historical cost of transferred assets.

Additions subsequent to such date have been valued at acquisition cost restated to reflect the effects of inflation as indicated in Note 2, net of the related accumulated depreciation. Depreciation has been calculated by applying the straight-line method over the estimated useful life of the assets which was determined on the basis of the above-mentioned engineering studies. Furthermore, in order to improve the disclosure of the account, the Company has made certain changes in the classification of property, plant and equipment, based on each technical process.

In accordance with the provisions of TR N° 17, financial costs in relation to any given asset may be capitalized when such asset is in the process of production, construction, assembly or completion, and such processes, due to their nature, take long periods of time; those processes are not interrupted; the period of production, construction, assembly or completion does not exceed the technically required period; the necessary activities to put the asset in a condition to be used or sold are not substantially complete; and the asset is not in condition so as to be used in the production or start up of other assets, depending on the purpose pursued with its production, construction, assembly or completion. The Company capitalized financial costs from 1997 to 2001 and during the year ended December 31, 2006. Financial costs capitalized for the year ended December 31, 2006 amounted to 9,283 (Note 2).

During the years ended December 31, 2006 and 2005, direct and indirect costs capitalized amounted to 25,508 and 14,637, respectively.

The recorded value of property, plant and equipment, taken as a whole, does not exceed their recoverable value.

**i) Allowances (Exhibit E):**

- Deducted from current assets:

- for doubtful accounts: it has been recorded to adjust the valuation of trade receivables up to their estimated recoverable value. The amount of the allowance has been determined based on the historical series of collections for services billed through the end of **each year** and collections subsequent thereto.

- Deducted from non-current assets:

- for impairment of value of net deferred tax assets: as of December 31, 2006 the Company has partially reversed out the valuation allowance while as of December 31, 2005 net deferred tax assets have been fully reserved. (Note 3.n)
- for impairment of value of Municipal Bonds: due to impairment indicators, the Company has recorded an allowance to adjust them to their estimated recoverable value (Note 32.b).

**j) Accrued litigation (Exhibit E):**

Amounts have been accrued for several contingencies.

The Company is a party to certain lawsuits and administrative proceedings in several courts and government agencies, including with respect to certain tax contingencies arising from the ordinary course of business. The Argentine tax authority (“AFIP”) has challenged certain income tax deductions related to allowances for doubtful accounts made by the Company on its income tax returns for fiscal years 1996, 1997 and 1998, and has assessed additional taxes for approximately 9,300. Tax related contingencies are subject to interest charges and, in some cases, to fines. This matter is currently on appeal to the tax court. During the appeal process payment of such claim has been suspended.

The Company is also a party to civil and labor lawsuits in the ordinary course of business.

At the end of each year, management evaluates these contingencies and records an accrual for related potential losses when: (i) payment thereof is probable, and (ii) the amount can be reasonably estimated. The Company estimates that any loss in excess of amounts accrued in relation to the above matters will not have a material adverse effect on the Company’s net income or its financial position.

The evolution of the accrued litigation account has been disclosed in Exhibit E.

**k) Loans:**

As of December 31, 2006, the notes resulting from the restructuring process (Note 14) have been valued on the basis of the best estimate of the amount to be paid, discounted at a 10% annual nominal rate, which, in accordance with the Company’s criterion, reasonably reflects market assessments of the time value of money and specific debt risks.

Under Argentine GAAP, the exchange of debt instruments under substantially different conditions is considered as an extinguishment of the former debt (i.e., debt before restructuring).

The extinguishment of the former debt generated a gain of 179,243. The adjustment to present value of future cash flows of the notes, at a market interest rate of 10% per annum, generated a gain of 57,138.

The breakdown of the net gain on the extinguishment of the former debt, is as follows:

Waiver of principal	55,314
Waiver of unpaid accrued interest	74,971
Waiver of unpaid accrued penalties	65,726
Restructuring cost	<u>(16,768)</u>
<b>Gain on debt restructuring</b>	179,243
Adjustment to present value of the notes	<u>57,138</u>
<b>TOTAL</b>	<u><b>236,381</b></u>

As of December 31, 2005, loans have been valued in accordance with the amounts disbursed and received, respectively, plus any accrued interest expense based on the rate agreed-upon for each transaction.

**l) Shareholders' equity accounts:**

These accounts have been restated to reflect the effects of inflation as indicated in Note 2, except for the "Shareholders' Contributions - Nominal value" account which has been maintained at its original value. The excess of the adjustment value over its nominal value has been included in the "Shareholders' Contributions – Adjustment to Capital" account.

**m) Statement of income accounts:**

- The accounts that accumulate monetary transactions as of December 31, 2006 and 2005, have been disclosed at their nominal values.
- The charges for non-monetary assets consumed have been valued at cost restated to reflect the effects of inflation on the basis of the date of acquisition of such assets, as indicated in Note 2.
- Financial income (expense) and holding gains (losses) have been disclosed separately under income (expense) generated by assets and by liabilities.
- The financial debt restructuring gain on extinguishment of former debt and the adjustment to present value of the notes are stated at their nominal value.

**n) Income tax and tax on minimum presumed income:**

The generally accepted accounting principles require the application of the deferred tax method to account for income tax. This method consists of recognizing deferred tax assets and liabilities when temporary differences arise from the difference between assets and liabilities for accounting and tax purposes. Regarding the restatement of property, plant and equipment to reflect the effects of inflation, the Company has applied Resolution MD (the Board) N° 11/03 of the CPCECABA and General Resolution N° 487/06 of the CNV (Note 2 – Changes in generally accepted accounting principles).

As of the end of the [year](#), the allowance for impairment of value of deferred tax assets amounted to 32,261, based on the estimated taxable income, which includes the effects of the Company's estimate of the tariff increase granted by the Federal Government through Decree No. 1957/06 (Notes 23.b and 32.a).

The reconciliation between the income tax include in the statement of income for the years ended December 31, 2006 and 2005 and the amount that would result from applying the tax rate in effect (35%) to the income (loss) before taxes for each year, is as follows:

	<b><u>2006</u></b>	<b><u>2005</u></b>
Income tax calculated at tax rate in effect on the income (loss) before taxes	44,060	(52,361)
Permanent differences		
Adjustment for inflation of Property, Plant and Equipment	33,407	34,253
Accruals and other	<u>35,277</u>	<u>0</u>
Income tax	112,744	(18,108)
(Decrease) Increase in the allowance for impairment of value of net deferred tax assets	<u>(279,926)</u>	<u>18,108</u>
Income tax benefit for the <a href="#">year</a>	<u>(167,182)</u>	<u>0</u>

<b>Allowance for impairment of value of deferred tax assets</b>		
Balance at beginning of year	312,187	294,079
(Decrease) Increase in the allowance for impairment of value of net deferred tax assets	<u>(279,926)</u>	<u>18,108</u>
Balance at end of <a href="#">year</a>	<u>32,261</u>	<u>312,187</u>

Additionally, the breakdown of deferred tax assets and liabilities as of December 31, 2006 and 2005 is as follows:

	<b>2006</b>	<b>2005</b>
<b>Non-current deferred tax assets</b>		
Tax-loss carry forward	143,886	209,738
Allowance for doubtful accounts and receivables in litigation	6,426	6,271
Accruals	93,179	95,025
Deferred exchange difference	0	14,531
Supplies valuation	159	166
Loans	<u>0</u>	<u>6,490</u>
	<u>243,650</u>	<u>332,221</u>
<b>Non-current deferred tax liabilities</b>		
Property, plant and equipment	(24,209)	(20,034)
Adjustment to present value of the notes	(19,998)	<u>0</u>
	<u>(44,207)</u>	<u>(20,034)</u>
<b>Net deferred tax assets before allowance</b>	<u>199,443</u>	<u>312,187</u>
<b>Allowance for impairment of value of deferred tax assets</b>	<u>(32,261)</u>	<u>(312,187)</u>
<b>Net deferred tax assets</b>	<u>167,182</u>	<u>0</u>

Tax losses to be carried forward as of December 31, 2006 are as follow:

	<b>Amount</b>	<b>Tax rate</b>	<b>Year</b>
Tax loss carry forward 2002	387,343	<b>35%</b>	2007
Tax loss carry forward 2005	<u>23,761</u>	<u>8,316</u>	2010
Total tax losses as of December 31, 2006	<u>411,104</u>	<u>143,886</u>	

As tax losses become statute-barred within five years, the aforementioned tax losses may be applied to offset any future taxable income that may arise within such five-year term.

Additionally, the Company determines the tax on minimum presumed income by applying the current rate of 1% on the Company's taxable assets as of the end of the year. The tax on minimum presumed income and the income tax complement each other. The Company's tax obligation for a given year will be equal to the higher of these taxes. However, should the tax on minimum presumed income exceed income tax in any given fiscal year, such excess will be eligible for credit against a partial payment of any excess of the income tax over the tax on minimum presumed income that may arise in any of the ten subsequent fiscal years.

For the year ended December 31, 2006, the Company has estimated a minimum presumed income tax charge of 19,872, whereas for the year ended December 31, 2005 the charge amounted to 18,200. The corresponding outstanding tax credit as of the end of each year has been included in Other non-current receivables.

**o) Labor cost liabilities and Early retirements payable:**

They include the following charges:

- for supplementary benefits of paid leave of absence derived from accumulated vacation,
- for seniority-based bonus to be granted to employees with a specified number of years of employment, as stipulated in collective bargaining agreements in effect (as of December 31, 2006 and 2005, such bonuses amounted to 4,847 and 3,294 respectively), and
- for other personnel benefits (pension plan) to be granted to employees upon retirement, as stipulated in collective bargaining agreements in effect (as of December 31, 2006 and 2005, the accrual for these benefits amounted to 9,638 and 7,484 respectively).

Liabilities related to the above-mentioned seniority-based bonus and other personnel benefits (pension plans) to be granted to employees, have been determined taking into account all rights accrued by the beneficiaries of both plans as of December 31, 2006 and 2005, respectively, on the basis of an actuarial study conducted by an independent expert as of those dates. Such liabilities have been disclosed under the “Salaries and social security taxes” account as seniority-based bonus and other personnel benefits, respectively (Note 8).

Early retirements payable corresponds to individual optional agreements. After employees reach a specific age, the Company may offer them this option. The related accrued liability represents future payment obligations which as of December 31, 2006 and 2005 amount to 2,320 and 1,385 (current liabilities) and 5,802 and 1,634 (non-current liabilities), respectively (Note 8).

**p) Customer deposits:**

Under the Concession Agreement, the Company is allowed to receive customer deposits in the following cases:

1. When the power supply is requested and the user is unable to provide evidence of his legal ownership of the premises;
2. When service has been suspended more than once in one year period;
3. When the power supply is reconnected and the Company is able to verify the illegal use of the service (fraud).
4. When the customer is undergoing liquidated bankruptcy or reorganization proceedings.

The Company has decided not to request customer deposits from residential T1 tariff customers.

Customer deposits may be either paid in cash or included in the customer’s bill, and accrues monthly interest at a specific rate of Banco de la Nación called “reference” rate.

When a customer requests that the supply service be disconnected, customer’s deposit is credited (principal amount plus any interest accrued through the date of reimbursement). Any balance outstanding at the time of requesting the disconnection of the supply service is deducted from the amount so credited. Similar procedures are followed when the supply service is disconnected due to customer lack of payment. Consequently, the Company recovers, either fully or partially, any amount owed for electric power consumption.

When the conditions for which the Company is allowed to receive customer deposits no longer exist, the principal amount plus any interest accrued thereon are credited to the customer’s account.

**q) Revenue recognition:**

Revenues from operations are recognized on an accrual basis and derived mainly from electricity distribution. Such revenues include electricity supplied, whether billed or unbilled, at each year-end and have been valued on the basis of applicable tariffs.

The Company also recognizes revenues from other concepts included in distribution services, such as new connections, pole rental, transportation of electricity to other distribution companies, etc.

All revenues are recognized when the Company's revenue earning process has been substantially completed, the amount of revenues may be reasonably measured, and the economic benefits associated with the transaction will flow to the Company.

**r) Estimates:**

The preparation of the financial statements in accordance with generally accepted accounting principles in Argentina requires the Company's Board of Directors and Management to make estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results and amounts may differ from the estimates used in the preparation of the financial statements.

**s) Earnings (losses) per common share:**

It has been computed on the basis of the number of shares outstanding as of December 31, 2006 and 2005, which amounted to 831,610,200. There is no earning (loss) per share dilution, as the Company has issued neither preferred shares nor corporate notes convertible into common shares.

**t) Segment information:**

In accordance with the provisions of TR No 18, the Company is required to disclose segment information provided certain requirements are met. This Resolution establishes the criterion to be followed for reporting information on operating segments in annual financial statements, and requires the reporting of selective information on operating segments in interim financial reports. Operating segments are those components of a company's activity about which different financial information may be obtained, whether for the allocation of resources or the determination of an asset's performance. TR N° 18 also establishes the criterion to be applied by a company to disclose its products and services, geographical areas and major customers.

The Company is a natural monopoly that operates in a single business segment, electricity distribution and sale in a specific urban geographical area, pursuant to the terms of the concession agreement that governs the provision of this public service. The Company's activities have similar economic characteristics and are similar as to the nature of their products and services and the electricity distribution process, the type or category of customers, the geographical area and the methods of distribution. Management evaluates the Company's performance based on net income. Accordingly, the disclosure of information as described above is not necessary.

**u) Risk management:**

The Company operates mainly in Argentina. Its business may be affected by inflation, currency devaluation, regulations, interest rates, price controls, changes in governmental economic policies, taxes and other political and economic-related issues affecting the country. The majority of the Company's assets are either non-monetary or denominated in Argentine pesos, whereas the majority of its liabilities are denominated in U.S. dollars.

As of December 31, 2006 and 2005, the Company has not entered into any foreign currency forward contracts or floating interest rate forward contracts.

v) **Concentration risks:**

**Related to customers**

The Company's accounts receivable derived primarily from the sale of electricity.

No single customer accounted for more than 10% of sales for the years ended December 31, 2006 and 2005. The collectibility of trade receivables balances which amount to 45,552 and 58,044 as of December 31, 2006 and 2005, respectively, are disclosed in Notes 4 and 13 -"Framework Agreement"- are depending on the compliance of with the terms of such Framework Agreement.

**Related to employees who are union members**

As of December 31, 2006 and 2005, most of the Company's employees were union members. Labor conflicts, particularly those between unions and employers and/or the government, have generally increased in Argentina since the recent crisis, and particularly over the past years, despite government measures such as increases in the minimum wage and other employee benefits. EDENOR union-joined employees are members of either the Asociación de Personal Superior de Empresas de Energía (Association of Supervisory Personnel of Energy Companies), which is generally comprised of workers involved in the transportation and distribution of energy, or the Sindicato de Luz y Fuerza de la Capital Federal (Electric Light and Power Labor Union of the City of Buenos Aires), which is generally comprised of workers involved in the generation of energy. Although the Company believes that hourly-paid employees are compensated on a competitive basis, it has developed incentive programs aimed at motivating its employees and reducing employee turnover. The Company relationship with unions is currently stable, however, the Company may not ensure that there will be no strikes or work disruptions in the future, which could have a material adverse effect on the Company's business and the results of operations, specially after the social tension caused by the Argentine economic crisis (Note 31).

The Bid Package sets forth the responsibilities of both SEGBA and the Company in relation to the personnel transferred by SEGBA through Resolution N° 26/92 of the Energy Secretariat. According to the Bid Package, SEGBA will be fully liable for any labor and social security obligations accrued or originated in events occurred before the take-over date, as well as for any other obligations deriving from lawsuits in process at such date.

In December 1998, new collective bargaining agreements were signed with the Sindicato de Luz y Fuerza de la Capital Federal and the Asociación de Personal Superior de Empresas de Energía. These agreements would be in effect for a term of five years to commence as from the date of approval and until the signing of a new agreement. The Ministry of Labor and Social Security approved the agreements signed with both the Sindicato de Luz y Fuerza de la Capital Federal and the Asociación de Personal Superior de Empresas de Energía on March 11, 1999 (through Resolution N° 31) and October 15, 1999 (through Resolution N° 318/99), respectively.

During 2005, two new collective bargaining agreements were signed with the Sindicato de Luz y Fuerza de la Capital Federal and the Asociación de Personal Superior de Empresas de Energía, which will expire on December 31, 2007 and October 31, 2007, respectively. These agreements were approved by the Ministry of Labor and Social Security on November 17, 2006 and October 5, 2006, respectively.

w) **Financial statements comparison:**

Certain amounts disclosed in the financial statements as of December 31, 2005 have been reclassified for comparative purposes, following the disclosure criteria used for the financial statements as of December 31, 2006.

Such reclassifications do not imply any changes in shareholders' equity as of December 31, 2005 or in the results of its operations for the fiscal year then ended.

**4. TRADE RECEIVABLES**

The detail of trade receivables as of December 31, 2006 and 2005 is as follows:

	<u>2006</u>	<u>2005</u>
<b>Current:</b>		
Receivables from sales of electricity:		
Billed	112,706	78,021
Unbilled		
Sales of electricity	92,803	86,227
Framework Agreement (Note 13)	45,552	58,044
National Fund of Electricity (Note 23.a)	23,015	13,329
Canon payable for the expansion of the network, transportation and others (Note 32.a)	11,882	5,722
In litigation	<u>10,603</u>	<u>10,814</u>
Subtotal	296,561	252,157
Less:		
Allowance for doubtful accounts (Exhibit E)	<u>(25,623)</u>	<u>(20,228)</u>
	<u>270,938</u>	<u>231,929</u>

**5. OTHER RECEIVABLES**

The detail of other receivables as of December 31, 2006 and 2005 is as follows:

	<u>2006</u>	<u>2005</u>
<b>Current:</b>		
Prepaid expenses (1)	1,305	599
Advances to suppliers	1,082	140
Advances to personnel	238	187
Related parties (2) (Note 21)	10,179	633
Preliminary attachments - ENRE - (Note 23.a)	67	13,298
Other debtors	9,873	5,283
Allowance for other doubtful accounts (Exhibit E)	(2,300)	(1,605)
Municipal Bonds (Notes 3.e and 32.b)	11,836	0
Allowance for impairment of value of Municipal Bonds (Exhibit E)	(5,918)	0
Other (3)	<u>3,859</u>	<u>3,167</u>
	<u>30,221</u>	<u>21,702</u>
<b>Non-current:</b>		
Tax credit on minimum presumed income (Note 3.n)	86,031	66,159
Net deferred tax assets (Note 3.n)	199,443	312,187
Allowance for impairment of value of deferred tax assets (Exhibit E)	(32,261)	(312,187)
Municipal Bonds (Notes 3.e and 32.b)	0	12,016
Allowance for impairment of value of Municipal Bonds (Exhibit E)	0	(6,008)
Related parties (Note 21)	3,077	2,389
Other	<u>185</u>	<u>168</u>
	<u>256,475</u>	<u>74,724</u>

- (1) Includes 101 and 112 in foreign currency (Exhibit G) as of December 31, 2006 and 2005, respectively.
- (2) Includes 8,767 foreign currency (Exhibit G) as of December 31, 2006.
- (3) Includes 754 and 917 in foreign currency (Exhibit G) as of December 31, 2006 and 2005, respectively (Note 21).

**6. TRADE ACCOUNTS PAYABLE**

The detail of trade accounts payable as of December 31, 2006 and 2005 is as follows:

	<u>2006</u>	<u>2005</u>
<b>Current:</b>		
Payables purchase of electricity and other purchases (1)	158,371	125,091
Unbilled electric power purchases	92,877	75,152
Customer contribution	16,123	4,607
Other	<u>269</u>	<u>213</u>
	<u>267,640</u>	<u>205,063</u>
<b>Non-Current:</b>		
Customer deposits (Note 3.o)	<u>31,250</u>	<u>26,762</u>

(1) Includes 16,271 and 12,120 in foreign currency (Exhibit G) as of December 31, 2006 and 2005, respectively. Also, includes balances with SACME S.A. for 676 and 621 as of December 31, 2006 and 2005, respectively.

**7. LOANS**

The detail of loans as of December 31, 2006 and 2005 is as follows:

	<u>2006</u>	<u>2005</u>
<b>Current:</b>		
Financial loans:		
In foreign currency (Exhibit G and Note 14)		
International Finance Corporation (Note 15)	0	62,368
Global Corporate Notes Program – Class 2 (Note 16)	0	536,254
Related Parties – EDF International (Notes 17 and 21)	0	284,868
Private Corporate Note with OPIC guarantee (Note 18)	0	411,909
Post-financing of imports (Note 19)	0	78,728
Other loans (Note 20)	0	245,999
Interest (Note 14)	<u>2,029</u>	<u>0</u>
	<u>2,029</u>	<u>1,620,126</u>
<b>Non-Current:</b>		
Notes:		
In foreign currency (Exhibit G and Note 14)		
Fixed and Incremental Rate Par Notes – Class A	225,009	0
Fixed and Incremental Rate Par Notes – Class B	153,986	0
Floating Rate Par Notes – Class A	38,753	0
Fixed and Incremental Rate Discount Notes – Class A	466,409	0
Fixed and Incremental Rate Discount Notes – Class B	<u>268,471</u>	<u>0</u>
Subtotal	1,152,628	0
Adjustment to present value of notes (Note 3.k)	<u>(57,138)</u>	<u>0</u>
Notes at present value	<u>1,095,490</u>	<u>0</u>

**8. SALARIES AND SOCIAL SECURITY TAXES**

The detail of salaries and social security taxes as December 31, 2006 and 2005 is as follows:

	<u>2006</u>	<u>2005</u>
<b>Current:</b>		
Salaries payable and accruals	44,423	29,241
Social Security (ANSES)	4,703	3,515
Early retirements payable (Note 3.o)	<u>2,320</u>	<u>1,385</u>
	<u>51,446</u>	<u>34,141</u>
<b>Non-Current (Note 3.o):</b>		
Other personnel benefits	9,638	7,484
Seniority-based bonus	4,847	3,294
Early retirements payable	<u>5,802</u>	<u>1,634</u>
	<u>20,287</u>	<u>12,412</u>

**9. TAXES**

The detail of taxes as of December 31, 2006 and 2005 is as follows:

	<u>2006</u>	<u>2005</u>
<b>Current:</b>		
Provincial, municipal and federal contributions and taxes	19,568	17,152
Value Added Tax (VAT)	11,935	13,388
Tax on minimum presumed income	6,507	6,682
Withholdings	4,894	13,623
Municipal taxes	15,044	13,050
Other	<u>4,244</u>	<u>3,992</u>
	<u>62,192</u>	<u>67,887</u>

**10. OTHER LIABILITIES**

The detail of other liabilities as of December 31, 2006 and 2005 is as follows:

	<u>2006</u>	<u>2005</u>
<b>Current:</b>		
Technical Assistance (Note 21 and Exhibit G)	4,465	2,021
Fees related to the initial public offering of capital stock (Note 29 and Exhibit G) (1)	3,820	0
Fees related to debt restructuring (Exhibit G)	7,299	0
ENRE penalties (Note 23 a and b)	0	169,650
Program for the rational use of electric power (PUREE)	6,926	0
Other (2)	<u>3,870</u>	<u>4,121</u>
	<u>26,380</u>	<u>175,792</u>
<b>Non-current:</b>		
ENRE penalties (Note 23 a and b)	<u>241,079</u>	<u>0</u>

(1) Includes 3,764 in foreign currency (Exhibit G) as of December 31, 2006.

(2) Includes 2,435 and 3,022 in foreign currency (Exhibit G) as of December 31, 2006 and 2005, respectively.

**11. NET SALES**

The breakdown of net sales for the years ended December 31, 2006 and 2005 is as follows:

	<u>2006</u>	<u>2005</u>
Sales of electricity (*)	1,347,295	1,238,241
Other (**)	<u>31,031</u>	<u>23,969</u>
	<u>1,378,326</u>	<u>1,262,210</u>

(\*) Net of ENRE penalties for 25,200 and 72,736 for the years ended December 31, 2006 and 2005, respectively. (Note 23).

(\*\*) Includes pole rental for 14,315 and 8,312 for the years ended December 31, 2006 and 2005, respectively.

**12. OTHER EXPENSE, NET**

The breakdown of other expense, net for the years ended December 31, 2006 and 2005 is as follows:

	<b>Gain (Loss)</b>	
	<u>2006</u>	<u>2005</u>
Non operating income	4,093	1,333
Commissions on municipal taxes collection	1,537	1,479
(Expense) income from technical services	(437)	995
Voluntary retirements and terminations	(14,122)	(13,379)
Severance paid	(3,019)	(3,091)
Accrued litigation	(13,400)	(10,050)
Supplies recovered from third parties	5,782	0
Disposal of property, plant and equipment	(649)	(335)
Forgiveness of operator's compensation (Note 21)	0	25,852
Other	<u>(2,729)</u>	<u>(3,456)</u>
	<u>(22,944)</u>	<u>(652)</u>

**13. FRAMEWORK AGREEMENT**

On January 10, 1994, the Company, together with EDESUR S.A., the Argentine Federal Government and the Government of the Province of Buenos Aires signed a Framework Agreement aimed at resolving the issue of supplying electricity to low-income areas and shantytowns. Pursuant to such Framework Agreement, the Company is entitled to receive compensation from a Special Fund for any non-payments of electricity supplied to low-income areas and shantytowns. The ENRE approved this Framework Agreement through Resolution N° 6 dated January 20, 1994, which was then ratified by both the Federal Government through Decree N° 584 dated April 22, 1994 and the Government of the Province of Buenos Aires through Decree N° 1,445 dated June 2, 1994.

In accordance with section 5 of the above-mentioned Agreement, the Company waived its right to any claims and/or collection of bills, adjustments, surcharges and interest arising or accrued from September 1, 1992 through January 31, 1994, as a result of direct connections, power theft, unrecorded consumption or any other form of misappropriation of electricity or illegal use thereof. The economic value assigned to the above-mentioned waiver amounted to 20,000, for which purpose a Special Fund was set up. The cost of this Special Fund was borne by the Argentine Federal Government and the Province of Buenos Aires which contributed a percentage of the bills effectively collected from users in low-income areas and shantytowns. The four-year duration of this Special Fund, which commenced as from the date on which the Framework Agreement went into effect, ended on June 30, 1998. The Company has been fully compensated for the economic effect derived from the above-mentioned waiver.

As permitted by section 13 of the Framework Agreement, which stipulates that the terms and conditions of the Agreement may be subject to review and/or adjustments under certain circumstances, and taking into account that not all of the objectives of the agreement could be completely fulfilled within the originally stipulated period, although most of them had been accomplished, and considering also that new shantytowns had appeared which had to be recognized, the parties agreed to extend the term of the Agreement for an additional fifty-month period ending August 31, 2002. During such additional period the original provisions of the Framework Agreement and the Regulations continued to be in effect. Furthermore, a new population census was conducted so as to identify those shantytowns which up to then had not been recognized. Said census has been completed and approved by the regulatory agency. Furthermore, the above-mentioned extension of the Framework Agreement was approved by the Argentine Federal Government through Decree N° 93 dated January 25, 2001.

As from the expiration date of the above-mentioned Framework Agreement, the Company continued supplying electricity to low-income areas and shantytowns.

On October 6, 2003, the Company signed a new Framework Agreement with the Argentine Federal Government and the Government of the Province of Buenos Aires for a term of four years, which retroactively covers all the services provided as from September 1, 2002. This agreement may be renewed for another four-year term should the parties so agree.

The new Framework Agreement, whose terms and conditions are similar to those of the previous agreement, was ratified by both the Federal Executive Power and the Government of the Province of Buenos Aires through Decree N° 1972 dated December 29, 2004 (published in the *Official Gazette* on January 5, 2005) and Decree N° 617 dated April 5, 2005 (published in the *Official Gazette* on May 23, 2005), respectively.

As disclosed in Note 4, receivables under the Framework Agreement as of December 31, 2006 and 2005 amounted to 45,552 and 58,044, respectively. During the [year ended December 31, 2006](#), the Company collected 33,969.

On October 26, 2006, the Company entered into a Payment Plan Agreement with the Government of the Province of Buenos Aires which establishes the conditions according to which the Province of Buenos Aires will honor its obligation to Company pursuant to the New Framework Agreement. In such agreement, the Company claims a debt amounting to 27,114, for the period September 2002 through June 2006, which the Province agrees to verify in accordance with the provisions of chapter VI -section 13 and related sections- of the Fund Regulations of the New Framework Agreement. Furthermore, the Province agrees to pay the debt resulting from the aforementioned verification, in 18 equal, consecutive and monthly installments.

Together with the payment of the first six installments, which will begin even if the verification to be carried out by the Province were not completed, the Province of Buenos Aires committed to pay the amounts resulting from the services provided to low-income areas and shantytowns during the last semester of 2006 amounted to 5,815. The Company waived its right to interest accrued from the date on which the New Framework Agreement went into effect through the commencement of the agreed-upon installment plan. The aforementioned waiver is subject to the effective compliance of the Government of the Province of Buenos Aires with the agreed-upon installment plan.

The aforementioned agreement was approved by the Company's Board of Directors on November 7, 2006, and, as of the date of issuance of these financial statements, is awaiting the approval of the competent Administrative Authority of the Province of Buenos Aires.

The aforementioned Framework Agreement expired on December 31, 2006. As from such date the Company has been negotiating the renewal of such agreement with the Federal and Provincial Governments. However, the Company will continue to supply electricity to low income areas and shantytowns.

#### **14. RESTRUCTURING OF FINANCIAL DEBT**

On January 19, 2006, the Board of Directors approved the launching of a solicitation of consent for the restructuring of the Company's financial debt through the exchange of such debt for a combination of cash and notes (the Restructuring) pursuant to a voluntary exchange offer (the Voluntary Exchange Offer) and/or an out-of-court reorganization agreement (*Acuerdo Preventivo Extrajudicial*) (the APE).

Furthermore, the holders of Gain Trust Notes due in 2005, which represent an interest in the private corporate note issued by the Company (Note 18) held by a financial trust, were offered to directly participate in the Restructuring by exchanging their Gain Trust Notes for Floating Rate Notes due in 2006, and then exchanging such Notes for the consideration offered in the Restructuring.

##### **The Restructuring**

The Company made an exchange offer and launched a solicitation of consent to execute an APE with eligible holders of its outstanding financial debt. An APE is an insolvency procedure available to debtors under the Argentine Bankruptcy Law (LCQ) consisting of an out-of-court reorganization agreement between a debtor and creditors holding at least two thirds of unsecured debt, which is subject to judicial confirmation. Upon judicial confirmation, the APE becomes binding on all unsecured and non-preferred creditors, including non-consenting creditors, whether or not such creditors have participated in the negotiation or execution of the APE.

Creditors holding more than 65% of the Company's outstanding financial debt (including accrued and unpaid interest and applicable penalties, if any) have committed, by signing support agreements with the Company, to tender their debt in the Voluntary Exchange Offer and give their consent to the APE, should this procedure be initiated.

The Company could carry out the Restructuring in accordance with one of the following three alternatives:

- If creditors holding at least 66% but less than 93% of the aggregate outstanding amount give their consent to the Restructuring, the Company, the Supporting Creditors and the APE Representative, on behalf of Consenting Creditors, will promptly execute the Restructuring Agreement, and the Company may, at its own option, either proceed with a Mandatory Exchange through the APE or an In-APE Exchange on the Consummation Date or on the In-APE Exchange Date, respectively, subject in each case to the fulfillment of the Conditions to the APE Restructuring Alternatives;
- If creditors holding at least 93% but less than 98% of the aggregate outstanding amount give their consent to the Restructuring, the Company may, at its own option, either proceed with an In-APE Exchange (subject to the fulfillment of the Conditions to the APE Restructuring Alternatives) on the In-APE Exchange Date or carry out the Voluntary Exchange Offer (subject to the fulfillment of the Conditions to the Voluntary Exchange Offer) on the Voluntary Exchange Date; or
- If creditors holding at least 98% of the aggregate outstanding amount give their consent to the Restructuring, the Company will carry out the Voluntary Exchange Offer (subject to the fulfillment of the Conditions to the Voluntary Exchange Offer) on the Voluntary Exchange Date.

Each of these alternatives was subject to the fulfillment of certain conditions, including all necessary regulatory approvals.

On February 22, 2006, the Company informed that creditors holding 100% of the Company's outstanding financial debt (including accrued and unpaid interest and applicable penalties) had accepted the restructuring process of the financial debt, either by directly giving their consent and/or signing support agreements with the Company. Consequently, in accordance with the degree of acceptance received, the Company carried out the Restructuring following the third alternative mentioned above.

The Company carried out the Restructuring through the exchange of the outstanding financial debt held by consenting creditors, at such creditors' option, subject to proration and reallocation, for one or a combination of the following alternatives, which include the issuance of notes under the current corporate notes program (Note 16):

- The Fixed Rate Par Option: For each US\$ 1,000 principal amount of outstanding financial debt, creditors received Fixed Rate Par Notes for a nominal value of US\$ 1,000. The amount of Fixed Rate Par Notes issued under the Restructuring was not subject to a maximum amount. Interest on Fixed Rate Par Notes will be payable semiannually in arrears at an annual fixed rate, as detailed in the table below, and principal will be due and payable in semiannual installments based on the amortization schedule detailed in the table below:

Year	Annual Interest Rate on Fixed Rate Par Notes	Annually Scheduled Amortization
1	3.0%	0.0%
2	4.0%	0.0%
3	5.0%	0.0%
4	6.0%	0.0%
5	8.0%	0.0%
6	9.0%	10.0%
7	9.5%	10.0%
8 through 11	10.0%	10.0%, 10.0%, 10.0%, 50.0%

An amount of US\$ 123.8 million in notes was issued under this option.

- The Floating Rate Par Option: For each US\$ 1,000 principal amount of outstanding financial debt, creditors received Floating Rate Par Notes for a nominal value equal to (i) US\$ 1,000 plus (ii) any accrued and unpaid interest as of December 31, 2005 (excluding penalty interest and additional amounts, if any) in respect of such US\$ 1,000 principal amount of outstanding financial debt (or, in the case of Gain Trust Notes, any accrued and unpaid interest as of December 31, 2005 (excluding any penalty interest and additional amounts, if any) in respect of such US\$ 1,000 principal amount of Gain Trust Notes). A maximum of US\$ 50 million principal amount of outstanding financial debt could be exchanged under this option. Interest on Floating Rate Par Notes will be payable semiannually in arrears at an annual rate equal to LIBOR plus a spread, and principal will be due and payable in semiannual installments based on the amortization schedule detailed in the table below:

Year	Annual Spread Floating Rate Par Notes	Annually Scheduled Amortization
1	0.0%	0.0%
2	0.0%	0.0%
3	1.0%	0.0%
4 through 6	1.5%	0.0%, 0.0%, 5.0%
7 through 14	2.0%	5.0%, 5.0%, 5.0%, 5.0%, 5.0% 10.0%, 10.0%, 50.0%

An amount of US\$ 12.7 million in notes was issued under this option.

- The Combination Option: For each US\$ 1,000 principal amount of outstanding financial debt, creditors received (i) a cash payment of US\$ 283 and (ii) Discount Notes for a nominal value of US\$ 667. A fixed amount of US\$ 360 million principal amount of outstanding financial debt could be exchanged under this option. Interest on Discount Notes will be payable semiannually in arrears at an annual fixed rate, and principal will be due and payable in semiannual installments based on the amortization schedule detailed in the table below:

Year	Discount Applicable to Annual Interest Rate	Annually Scheduled Amortization
1	3.0%	0.0%
2	3.5%	0.0%
3	10.0%	5.0%
4	11.0%	5.0%
5 through 9	12.0%	5.0%, 5.0%, 10.0%, 10.0%, 60.0%

An amount of US\$ 240 million in notes was issued under this option.

The Company did not make any payment or capitalized any accrued and unpaid interest or any other accrued or unpaid additional amount on any Outstanding Debt exchanged under the Restructuring, other than as set forth in the above options.

Finally, on April 24, 2006, the Company made a cash payment of US\$ 102,000,028 to those creditors who had chosen the Combination Option, and an additional payment of US\$ 4,735,872 to those creditors who had validly given their consent and tendered their outstanding financial debt, pursuant to the terms of the restructuring proposal. The latter amount represents interest accrued on the original debt principal amount at the interest rate applicable to the notes for the period extending from January 1, 2006 to the date of issuance of the notes, which was, April 24, 2006.

Furthermore, in conformity with the options selected by the financial creditors and after applying the pro-ration and allocation mechanism, EDENOR issued the notes under the Global Corporate Notes Program (Note 16).

Therefore, the Company's post-restructuring debt structure was comprised of the following Notes:

<u>Type</u>	<u>Class</u>	<u>Amount (US\$)</u>
Fixed Rate Par Note	A	73,484,603
	B	50,288,983
Floating Rate Par Note	A	12,656,086
	A	152,321,909
Discount Note	B	<u>87,678,076</u>
		<b><u>376,429,657</u></b>
Total		

As a result of the restructuring process, the defaulted debt prior to the restructuring, which amounted to US\$ 540.9 million as of February 22, 2006, was reduced to US\$ 376.4 million, with an average term of more than 8 years, at an average cost of 8% and final maturity in 2019.

#### Main covenants

As established in the trust agreement for the issuance of corporate notes, the main covenants assumed in relation to this transaction are the following:

- Based on the level of excess cash (leverage ratio) and subject to maintaining an established minimum cash balance of US\$ 15 million, the Company will be subject to the following conditions:

If EDENOR's Leverage Ratio (defined as Total Financial Debt to Consolidated EBITDA) is higher than 3.5, any excess cash shall be applied, at the Company's discretion, either for the purchase of notes through market purchases or for the optional redemption of notes.

If the Leverage Ratio is equal to or lower than 3.5, but higher than 3.0, the Company, at its discretion, will apply any excess cash as follows:

A minimum of 50% of such excess cash shall be applied, at the Company's discretion, either for the purchase of notes through market purchases or for the optional redemption of notes; and a maximum

of 50% of such excess cash shall be used to make permitted capital expenditures, regulatory capital expenditures or additional capital expenditures;

A minimum of 75% of such excess cash shall be applied, at the Company's discretion, either for the purchase of notes through market purchases or for the optional redemption of notes; and a maximum of 25% of such excess cash shall be used entirely at the Company's discretion, including, without limitation, for the payment of dividends;

If the Leverage Ratio is equal to or lower than 3.0, but higher than 2.5, the Company, at its discretion, will apply any excess cash as follows:

A minimum of 50% of such excess cash shall be applied, at the Company's discretion, either for the purchase of notes through market purchases or for the optional redemption of notes; and a maximum of 50% of such excess cash shall be used entirely at the Company's discretion, including, without limitation, for the payment of dividends;

If the Leverage Ratio is equal to or lower than 2.5, the Company is exempt from complying with the above-mentioned conditions and therefore any excess cash may be applied at its discretion.

- The Company may make permitted capital expenditures up to an agreed-upon annual amount.
- Upon the occurrence of an Adverse Event, EDENOR, at its discretion, may elect to defer, reschedule and capitalize up to one year of principal amortization payments and one year of interest payments on any or all series of notes by written notice to the holders on each payment date or prior thereto. This provision may be invoked only once in respect of both an Adverse Cash Flow Event and an Adverse Devaluation Event during the term of the Notes.  
Adverse Cash Flow Event means the occurrence of any event or series of events that are outside the Company's control and result in the Company's inability to meet its debt service obligations, to the extent that the minimum cash balance is maintained. Adverse Devaluation Event means any measure or series of measures taken by the Argentine government, general market conditions or any other event that results in a 20% or larger devaluation of the Peso in any period of 12 consecutive months after the Issuance Date as compared to its value as of January 1, 2006.
- The Company may incur additional indebtedness subject to certain conditions that are described in the trust agreement for the issuance of the corporate notes.
- Restricted Payments: No dividends shall be paid until April 24, 2008 or until such time when the Company's Leverage Ratio is lower than 2.5, whichever occurs first. Fees payable under the technical assistance agreement shall not exceed US\$ 2 million. Payments to EASA shall not exceed US\$ 2.5 million in any fiscal year.
- The Company may suspend compliance with any covenants provided that its leverage ratio is equal to or lower than 2.5.
- In the case that the Company carries out a primary equity public offering and as long as the Company's Leverage ratio is higher than 2.5, the Company shall be required to apply 25% of the net cash proceeds of the base offering amount to purchase notes through market purchases, taking into account that the Company shall have a two-year period to make the aforementioned purchases of notes through market purchases and the Company shall have no obligation to make the aforementioned purchases of notes at a price greater than the face value of the Notes.

As of the date of issuance of these financial statements, the Company has been complying with its obligations as stipulated in the trust agreement related to the corporate notes issued after the restructuring of the financial debt.

## **15. LOAN FROM THE INTERNATIONAL FINANCE CORPORATION**

In order for the Company to obtain the necessary funds to accomplish its investment program aimed at rehabilitating and improving the electric power distribution network and reducing power losses, on May 3, 1994, the Company entered into a loan agreement with the International Finance Corporation (IFC) for US\$ 173,000,000 in three tranches, as follows:

- a) Tranche "A" for US\$ 30,000,000 accruing interest at LIBOR (fixed rate of 6.125% as from September 15, 1995) + 3% per annum until September 15, 1998 and + 1.625% per annum as from that date, payable in 16 semiannual installments starting September 15, 1995; early repayment permitted.
- b) Tranche "B" for US\$ 128,000,000 syndicated with a group of banks, accruing interest at LIBOR (fixed rate of 5.985% as from September 15, 1995) + 2.875% per annum until September 15, 1998 and + 1.5% as from that date, payable in 12 semiannual installments starting September 15, 1995; early repayment permitted.
- c) Tranche "C" for US\$ 15,000,000 accruing interest at LIBOR + 3% per annum + premium in accordance with the Company's profits, maturing on March 15, 2005.

On September 15, 1998 through the issuance of simple corporate notes Series 2B (Note 16), the Company made a partial early repayment of Tranche "B" for an amount of US\$ 32,083,333. As of September 15, 2001, the debt corresponding to said tranche had been fully repaid.

Furthermore, together with the above-mentioned early repayment, some of the conditions stipulated in the original agreement have been modified. The new loan agreement stipulates, among others, the following covenants for the remaining life of the loan:

- No long-term debt shall be incurred if:
  - a) the total liabilities to shareholders' equity ratio is higher than 1.5 and/or
  - b) the interest hedge ratio (EBITDA / interest) is lower than 3 until the final maturity of Tranche "A".
- No dividends shall be distributed in the event of non compliance with any principal and/or interest payments under the loan agreement signed with IFC.

Therefore, the restriction on the incurrence of long-term debt if long-term debt to shareholders' equity ratio exceeded 0.54 and the projected debt service coverage ratio were lower than 1.4, has been eliminated. Additionally, restrictions imposed on the distribution of dividends if the Company did not meet the requirement to maintain a projected debt service coverage ratio higher than 1.2 and a liquidity ratio higher than 1 after the payment of dividends, have also been eliminated.

Furthermore, the following loan guarantees have been eliminated: the irrevocable assignment of the Company's trade receivables from its main private customers up to a minimum amount of US\$ 6,000,000, and the irrevocable assignment by the Company and/or EASA to the IFC of the contractual claims or any other claim or right against the Argentine State or any agencies thereof, to be indemnified in the event of termination of the concession, or the nationalization, condemnation or expropriation of the Company's property or effective control thereon.

On September 30, 1997 the IFC announced the fulfillment of the Project based on the facts that the moving average of total electric power losses for a period of 12 consecutive months had been lower than 16% and that the financial ratios set forth in the Agreement had been met during such year. Therefore, the IFC released the operators from the obligation to secure financial support to the Company through subordinated loans and eliminated the restriction imposed on the acquisition of property, plant and equipment or other non-current assets for a total maximum amount of US\$ 120,000,000, thus enabling the Company to modify its investment plan without any limitation whatsoever.

The outstanding balance of tranches “A” and “C” of the above-mentioned loan is as follows:

	<u>As of December 31, 2006</u>	<u>As of December 31, 2005</u>
Principal Tranche “A”	0	11,370
Principal Tranche “C”	0	45,480
Total principal	0	56,850
Interest and penalties	0	5,518
Total	0	62,368

Balances as of December 31, 2005, which are disclosed in Note 7, were included in the debt restructuring referred to in Note 14.

## **16. GLOBAL CORPORATE NOTES PROGRAM**

The Extraordinary Shareholders’ Meeting held on August 5, 1994, approved the creation of a global program for the issuance of US\$ 300,000,000 corporate notes non-convertible into shares (the Program). On September 23, 1996, the Ordinary Shareholders’ Meeting ratified by consent resolution the creation of the Program, to be issued in different and successive classes and/or series, whether cumulative or not, with a term of five years to commence as from the date of authorization by the National Securities Commission (CNV) or the maximum term which may in the future be generally authorized by regulations in effect, and with an amortization period, for each class and/or series and/or any newly issued notes, as may be authorized under the Program, which may not be less than thirty days or more than the period to be duly determined by the Board of Directors, for up to a maximum amount outstanding at any time during the term of the Program of up to US\$ 300,000,000, or its equivalent in any other currency.

On November 5, 1996 the CNV authorized the issuance of the Global Program for US\$ 300,000,000; as Class 1 was issued on December 4, 1996, for US\$ 120,000,000 with a floating rate.

On September 15, 1997 the Extraordinary Shareholders’ Meeting unanimously approved the increase of the maximum amount of the current Program to US\$ 600,000,000 or its equivalent in any other currency, outstanding at any time during the life of the Program and ratified the rest of the terms and conditions of the Program. On February 27, 1998, through Certificate N° 193, the CNV authorized the public offering of the aforementioned increase in the amount of the Program.

On June 7, 2001, the Extraordinary Shareholders’ Meeting approved a five-year extension of the Program. Said extension was authorized by the CNV on September 4, 2001 upon the Company’s filing with the corresponding regulatory agencies of the necessary documentation.

Finally, on February 23, 2006 the Extraordinary Shareholders’ Meeting approved a new extension of the Program for an additional five-year term with final maturity on March 23, 2011 . Said extension was approved by Resolution N° 15,359 of the Board of Directors of the CNV. Furthermore, the maturity term of Corporate Notes to be issued in the future was changed from 7 days to 20 years from the date of issue.

### **Issues under the Global Corporate Notes Program**

#### **Class 1 Corporate Notes**

On December 4, 1996 the Company issued Class 1 Corporate Notes at a floating interest rate for an amount of US\$ 120,000,000 with a five-year term and an issuance price of 99.69% of the principal amount. The notes accrued interest as from the date of issuance at an annual rate of 9.75% payable on June 4 and December 4 each year with the first interest payment maturing on June 4, 1997. The notes were to be amortized in one single payment at maturity date, which was December 4, 2001. The corporate notes had been authorized to trade on the Buenos Aires Stock Exchange, the *Mercado Abierto Electrónico* (OTC market of Buenos Aires) and the Luxembourg Stock Exchange. They were represented by one restricted, registered, global corporate note, whose shares would be traded through the clearing systems with Caja de Valores S.A.

The Company repaid Class 1 corporate notes on maturity.

### **Class 2 Corporate Notes**

On June 16, 1998 the Company's Board of Directors approved the issuance of Class 2 Corporate Notes at a floating interest rate for an amount of US\$ 250,000,000. On June 29, 1998, the CNV authorized the updating of the prospectus for such issuance.

Class 2 Corporate Notes are comprised of the following: the 2A Series for an amount of US\$ 125,000,000 issued on August 17, 1998, and the 2B Series for an amount of US\$ 125,000,000 issued on September 15, 1998, with a five-year term, early repayment permitted on any interest payment date. The notes accrue interest at 180-day LIBOR plus the following spread: 1.125% for the first year, 1.250% for the second year, 1.625% for the third year and 1.875% for the fourth and fifth years.

Interest was payable on June 15 and December 15 of each year beginning December 15, 1998, and ending June 15, 2003. After a one-year grace period had elapsed, the corporate notes were to be repaid as follows: US\$ 25,000,000 on June 15, 1999, US\$ 25,000,000 on December 15, 1999, US\$ 18,750,000 on June 15, 2000, US\$ 18,750,000 on December 15, 2000, US\$ 37,500,000 on June 15, 2002, US\$ 37,500,000 on December 15, 2002 and US\$ 87,500,000 on June 15, 2003.

The proceeds of this operation were used for the following:

- (i) early repayment of the loan granted by the Inter-American Development Bank,
- (ii) early partial repayment of the loan granted by the International Finance Corporation (Note 15),
- (iii) early repayment of other Company's liabilities,
- (iv) financing of investments and,
- (v) working capital, in conformity with the provisions of Corporate Notes Law.

Both series of Class 2 Corporate Notes had been authorized to trade on the Buenos Aires Stock Exchange, the Luxembourg Stock Exchange and the *Mercado Abierto Electrónico*.

On June 14, 2002, the Company and the holders of Class 2 Corporate Notes issued under the Program agreed to postpone the repayment of principal from June 15, 2002 to September 15, 2002, making interest payments on each date as stipulated in the original conditions of issuance.

Also, both the trustee and the holders of the above-mentioned corporate notes, as well as the trustee and the holders of the private corporate note with OPIC guarantee, exempted the Company from complying with certain financial ratios, stipulated in the respective debt issuance documents, from July 15, 2002 to September 15, 2002.

The outstanding balance of Class 2 Corporate Notes is as follows:

	<b>As of December 31, 2006</b>	<b>As of December 31, 2005</b>
Principal – Class 2	0	492,700
Interest and penalties	0	43,554
Total	0	536,254

Balances as of December 31, 2005, which are disclosed in Note 7, were included in the debt restructuring referred to in Note 14.

### **Class 3 Corporate Notes**

On April 25, 2002, the Company issued Class 3 Corporate Notes for an amount of US\$ 82,000,000, at a floating interest rate, with final maturity in 2005. The proceeds of the issue were used to repay the loan agreement.

The corporate notes were issued at 100% of their nominal value. Principal was to be repaid in four equal semiannual installments of US\$ 20,500,000, maturing on October 25, 2003, April 25 and October 25, 2004, and April 25, 2005. The notes accrued interest at LIBOR plus 6% for the first year, 4.5% for the second year and 3% for the third year, payable semiannually.

During the term of the corporate notes, the Company had to comply with certain financial restrictions to wit:

- maintain the total liabilities to total liabilities plus shareholders' equity ratio below 0.60;
- maintain the interest hedge ratio (EBITDA / interest) above 3.

At the date of issuance of these notes, investors had the option to assign and transfer to a trust all their rights under the notes in exchange for pass-through certificates issued by said trust. These certificates were unconditionally guaranteed by EDF International and were thus fully protected from any commercial and political risk. After the second anniversary of the corporate notes, holders of pass-through certificates would have a one-time opportunity to exchange them for non-guaranteed securities.

On October 25, 2002, EDENOR suspended the first interest payment on the Class 3 Corporate Notes issued under the program. Such payment was made by EDF International S.A. in its capacity as guarantor of the transaction and the holders received the funds in due time and manner (Note 17). The second, third, fourth, fifth and sixth interest payments which matured on April 25 and October 25, 2003, April 26 and October 25, 2004, and April 25, 2005, respectively, were made by the Company.

The payment of the first, second, third and fourth and last principal installments, which were due on October 25, 2003, April 26 and October 25, 2004, and April 25, 2005, respectively, were paid by EDFI (Note 17).

### **17. LOAN FROM EDF INTERNATIONAL S.A.**

EDENOR has an outstanding financial debt with Electricité de France International S.A. (EDFI), which has been incurred from 2002 to 2005 in six tranches, and that has arisen from the effective payment of principal and/or interest installments on Class 3 Corporate Notes for a total amount of US\$ 87.8 million at a floating interest rate and with final maturity in 2005 (Note 16), made by EDFI pursuant to the "Guarantee Agreement" dated April 25, 2002 and substitution rights in respect of the issue of Class 3 Corporate Notes.

The total amount of principal borrowed is as follows:

<b>Tranche</b>	<b>Amount (US\$)</b>	<b>Rate</b>	<b>Commencement</b>	<b>Maturity date</b>
<b>I</b>	3,412,822.92	Fixed	10/25/02	04/29/05
<b>II</b>	2,363,000.00	Fixed	09/06/03	04/29/05
<b>III</b>	20,500,000.00	Fixed	10/27/03	04/29/05
<b>IV</b>	20,500,000.00	Fixed	04/26/04	04/29/05
<b>V</b>	20,500,000.00	Fixed	10/22/04	04/29/05
<b>VI</b>	20,500,000.00	Fixed	04/22/05	04/29/05

Interest accrued for each tranche through April 29, 2005, which amounted to US\$ 4,605,170.83, was paid on May 11, 2005. As from such date a floating LIBOR plus 2% rate was established for each tranche.

Balances as of December 31, 2005, which are disclosed in Notes 7 and 21, were included in the debt restructuring referred to in Note 14.

The outstanding balance of the loans granted by the related company EDFI, is as follows:

	As of December 31, 2006	As of December 31, 2005
Principal	0	266,136
Interest and penalties	0	18,732
Total	0	284,868

On December 4, 2006, EDFI sold the debt instruments referred to in Note 14. Consequently, as of December 31, 2006 there is no outstanding balance of loans granted by the related company EDFI.

#### **18. PRIVATE CORPORATE NOTE WITH OPIC GUARANTEE**

On June 16, 2000, the Company raised US\$ 140,000,000 through the private placement of a corporate note which was part of the assets of a financial trust. The five-year term corporate note with a three-year grace period matured on May 31, 2005. The main terms and conditions of the transaction were the following:

- Interest rate: LIBOR + 2% per annum, payable semiannually, with first payment maturing on December 15, 2000, second to sixth payments on June 15 and December 15 of each year, seventh payment on November 30, 2003, eighth payment on May 31, 2004, ninth payment on November 30, 2004 and tenth payment on May 31, 2005.
- OPIC (Overseas Private Investment Corporation) insurance coverage: the corporate notes issued under the financial trust had an OPIC insurance that covered repayment of principal against the risk of local currency inconvertibility and foreign currency non-transferability. OPIC premium was 0.5% per annum on outstanding principal, and did not cover the risk of local currency devaluation. In January 2004, the Company suspended said insurance coverage because it deemed that the circumstances based on which the insurance had been taken out were no longer present.
- Repayment schedule: four equal installments of US\$ 35,000,000 maturing on November 30, 2003, May 31, 2004, November 30, 2004, and May 31, 2005.
- Early repayment: permitted, whether in part or in full.
- Restrictions: the following financial covenants were to be maintained:
  - capitalization ratio: "Total Financial Debt / (Total Financial Debt + shareholders' equity)" lower than or equal to 0.6;
  - interest hedge: "Ebitda / interest" higher than or equal to 3.

The agreement under which the corporate notes were issued included neither restrictions on the payment of dividends nor any guarantees. Moreover, they were not part of the Global Corporate Notes Program detailed in Note 16.

Furthermore, the trustee and the holders of the Private Corporate Notes with OPIC guarantee exempted EDENOR from complying with certain financial ratios stipulated under the respective debt issuance agreements, from June 15, 2002 through September 15, 2002.

#### **Repurchase of debt in cash**

On November 10, 2004 the Company announced the launching of an offer to purchase in cash all of its financial debt (Corporate Notes, Bilateral Loans, Post-financing of Imports), with the exception of the debt between EDENOR and EDFI.

The offer was maintained for 20 days, its closing date being December 10, 2004. The purchase price for each US\$ 1,000 of principal of debt instruments would be determined according to a modified Dutch auction sale procedure, with prices ranging from US\$ 700 to US\$ 750.

The final accumulated principal amount of the Debt Instruments offered was US\$ 12,000,000 entirely held by holders of Private Corporate Notes with OPIC Guarantee, thus reducing the original amount to US\$ 128,000,000. The purchase price for the above-mentioned offer of Debt Instruments was US\$ 740 for each US\$ 1,000 of principal. The gain obtained as a result of such transaction amounted to 9,285.

The outstanding balance of Private Corporate Notes with OPIC Guarantee is as follows:

	<b>As of December 31, 2006</b>	<b>As of December 31, 2005</b>
Principal	0	388,096
Interest and penalties	0	23,813
Total	0	411,909

Balances as of December 31, 2005, which are disclosed in Note 7, were included in the debt restructuring referred to in Note 14.

## 19. POST-FINANCING OF IMPORTS

On September 4, 2001, October 12 and 30, 2002, March 18, 2002 and January 9, 2003 the Company entered into five loan agreements for a total amount of US\$ 23,997,780.75 consisting of post-financing of import transactions with Bank Boston/BIGSA, Anglo Irish Bank PLC, Banco Río, ABN-Amro Bank and Landebank Waden Wurttemberg. The proceeds of the loans were used to finance the Company's annual investment plan. These loans were taken and subsequently renewed by the Company at a time when EDENOR had virtually no access to credit. The Company has become aware of the assignment of these loans to different creditors with the original terms of issue having been maintained. The principal characteristics of each loan were as follow:

	<b>BankBoston/ BIGSA</b>	<b>Anglo Irish Bank PLC</b>	<b>Banco Río</b>	<b>ABN-Amro Bank</b>	<b>Landesbank Waden Wurttemberg</b>
<b>Amount (US\$)</b>	997,780.75	3,000,000	5,000,000	5,000,000	10,000,000
<b>Maturity</b>	March 14, 2003	June 14, 2004	September 15, 2002	April 7, 2003	June 14, 2004
<b>Interest rate</b>	90-day Libor	180-day Libor	180-day Libor	90-day Libor	90-day Libor
<b>Spread over rate</b>	+ 6.00 %	+ 0.55 %	+ 6.50 %	+ 1.00 %	+ 0.90 %
<b>Payment of interest</b>	Quarterly	Semiannually	Semiannually	Quarterly	Quarterly
<b>Repayment</b>	At maturity	At maturity	At maturity	At maturity	At maturity
<b>Financial restrictions</b>	None	None	None	None	None

The outstanding balance of these loans is as follows:

	<b>As of December 31, 2006</b>	<b>As of December 31, 2005</b>
Principal	0	72,761
Interest and penalties	0	5,967
Total	0	78,728

Balances as of December 31, 2005, which are disclosed in Note 7, were included in the debt restructuring referred to in Note 14.

## 20. OTHER LOANS

On October 12 and 30, 2000, the Company entered into three loan agreements for a total amount of US\$ 60,000,000 consisting of bilateral transactions with Bank Boston, Bank of Tokyo and Banco Santander Central Hispano. The proceeds of the loans were used to repay short-term loans.

Subsequently, on October 19, 2001, the Company entered into a new loan agreement for a total amount of US\$ 15,000,000 consisting of a bilateral transaction with Lloyd's Bank TSB PLC. The proceeds of the loan were used to repay Class 1 Corporate Notes issued under the program (Note 16)

The main characteristics of each loan were as follow:

	<b>Bank Boston</b>	<b>Bank of Tokyo</b>	<b>Banco Santander</b>	<b>Lloyd's Bank</b>
<b>Amount (US\$)</b>	10,000,000	20,000,000	30,000,000	15,000,000
<b>Maturity</b>	October 11, 2002	April 16, 2004	November 1, 2004	March 14, 2003
<b>Interest rate</b>	90-day Libor	180-day Libor	180-day Libor	90-day Libor
<b>Spread over rate</b>	1 <sup>st</sup> and 2 <sup>nd</sup> Quarter + 1.375% 3 <sup>rd</sup> and 4 <sup>th</sup> Quarter + 1.50% 5 <sup>th</sup> and 6 <sup>th</sup> Quarter + 1.625% 7 <sup>th</sup> and 8 <sup>th</sup> Quarter + 1.75%	+ 2.25 %	+ 1.70 %	+ 5.50 %
<b>Payment of interest</b>	Quarterly	Semiannually	Semiannually	Quarterly
<b>Repayment</b>	At maturity	At maturity	In two equal installments payable on November 1, 2002, and November 1, 2004	At maturity
<b>Financial restrictions</b>	EBITDA/Interest >= 3 Total liabilities/ (Total liabilities + Shareholders' equity) <= 0.6 (Note 31)	None	EBITDA/Interest >= 3 Financial Debt/ (Financial Debt + Shareholders' equity) <= 0.6 (Note 31)	None
<b>Early repayment (US\$)</b>	In full	In full or in part for a minimum amount of 1,000,000	In full or in part for a minimum amount of 500,000 and after the first anniversary	In full or in part for a minimum amount of 1,000,000

The outstanding balance of these loans is as follows:

	<u>As of December 31, 2006</u>	<u>As of December 31, 2005</u>
Principal	0	227,400
Interest and penalties	0	18,599
Total	0	245,999

Balances as of December 31, 2005, which are disclosed in Note 7, were included in the debt restructuring referred to in Note 14.

## 21. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

In the normal course of business, the Company carries out transactions with related parties. As of December 31, 2006 and 2005, outstanding balances with related parties are as follow:

	2006	2005
<u>Other receivables</u> (Note 5)		
EDF International (*)	4,338	156
Electricidad Argentina S.A. (*)	4,429	24
SACME S.A.	448	448
EDF Global Solución	0	5
New Equity Ventures LLC	964	0
Employee Stock Ownership Program (Note 22.c)	3,077	2,389
<b>Total</b>	<b>13,256</b>	<b>3,022</b>
<u>Trade accounts payable</u> (Note 6)		
Errecondo, Salaverri, Delatorre, Gonzalez & Burgio	(16)	0
SACME S.A.	(676)	(621)
<b>Total</b>	<b>(692)</b>	<b>(621)</b>
<u>Other liabilities</u>		
EDF Global Solución	0	(389)
Electricidad Argentina S.A. (Note 10)	(4,465)	0
EDF International (Note 10)	0	(2,021)
<b>Total</b>	<b>(4,465)</b>	<b>(2,410)</b>
<u>Loans</u>		
EDF International (Notes 17 and 7)	<b>0</b>	<b>(284,868)</b>

(\*) Includes services to be received.

Transactions carried out with related parties for the years ended December 31, 2006 and 2005, are as follow:

	2006	2005
<u>Income from services</u>		
Electricidad Argentina S.A.	4	117
EDF Global Solución	0	80
<b>Total</b>	<b>4</b>	<b>197</b>

	<b>2006</b>	<b>2005</b>
<u>Expenses from services</u>		
SACME S.A.	(2,334)	(1,954)
EDF Global Solución	(659)	(4,161)
Electricidad Argentina S.A.	0	(5,780)
EDF International	(7,128)	(26,912)
Errecondo, Salaverri, Delatorre, Gonzalez & Burgio	(1,392)	(300)
<b>Total</b>	<b><u>(11,513)</u></b>	<b><u>(39,107)</u></b>
<u>Financial expenses, interest and penalties</u>		
EDF International	(7,873)	(22,581)
Electricidad Argentina S.A.	(8,133)	0
Errecondo, Salaverri, Delatorre, Gonzalez & Burgio	(244)	0
<b>Total</b>	<b><u>(16,250)</u></b>	<b><u>(22,581)</u></b>
<u>Other income (expense), net</u>		
EDF International (Nota 12)	<b><u>0</u></b>	<b><u>25,852</u></b>
<u>Financial debt restructuring result</u>		
EDF International	<b><u>38,114</u></b>	<b><u>0</u></b>
<u>Adjustment to present value of notes</u>		
EDF Internacional (*)	<b><u>12,658</u></b>	<b><u>0</u></b>

(\*) Corresponds to the calculation of the financial debt at present value as of December 4, 2006, date on which it was transferred by EDF International.

### **Operating and Technical Assistance Agreements**

In compliance with the provisions of both the Bid Package and the Transfer Contract, the Company has entered into an Operating Agreement with EDF and ENHER, pursuant to which EDF and ENHER would provide technical advisory services concerning the distribution and sale of electricity and would commit their experience and know-how to the achievement of an efficient and competitive management.

On July 16, 1999, ENHER assigned its rights and obligations arising from the above mentioned Operating Agreement to its controlling company ENDESA S.A.

On May 4, 2001, in compliance with that which has been mentioned in Note 1, ENDESA S.A. assigned its rights and obligations under the Operating Agreement to EDF, thus leaving EDF as the sole operator.

This Operating Agreement had an initial 10-year term as from September 1, 1992, which was extended until August 31, 2007.

The Company has registered said extension in the National Institute of Copyright (INPI) - Technology Transfer Division under number 9894.

On September 15, 2005, EDFI transferred the shares held in EASA (the controlling company of Edenor) and 14% of EDENOR's shares to Dolphin. In connection with such transfer, the parties agreed to

terminate the aforementioned Agreement and reduce the amount owed to EDF for unpaid fees 25,852 (Note 12).

However, since the Company still wishes to have access to EDF's know-how, experience and technical knowledge in the field of electric power distribution and sale, the Company and EDF have entered into a new Technical Assistance Agreement for a period of 5 years or for such period during which Dolphin continues to be the controlling company of EASA. Upon the termination of the Technical Assistance Agreement EDENOR will pay EDF an amount of US\$ 10,000,000 as technical assistance fees in five equal annual installments of US\$ 2,000,000. The first annual payment was made on January 9, 2006, whereas the second payment was made on December 14, 2006.

On December 7, 2005, the Company registered the new agreement in the National Institute of Copyright (INPI) - Technology Transfer Division under number 11,197.

#### **Agreement with EDF Global Solución S.A.**

On May 4, 2005, EDENOR and EDF Global Solución S.A. (EDFGS), at that time a wholly-owned subsidiary of EDF, entered into a management agreement pursuant to which EDFGS would manage EDENOR's buildings and facilities, including integral maintenance and cleaning tasks, management of documentation and buildings operations. EDENOR would pay EDFGS a monthly fee of approximately 300 plus VAT for the above-mentioned services. The Agreement would expire in a three-year term to commence as from May 1, 2005, but could be extended, at EDENOR's request for additional periods of three years. On November 1, 2006, EDENOR could terminate the agreement on giving 60 days' notice, without having to comply with any further obligations or paying damages, provided any of the following events were to occur: (i) the services provided by EDFGS were no longer required by the Company or (ii) after an analysis of market prices for the services provided, the resulting offer were lower than the price agreed-upon with EDFGS, and EDFGS did not make an equivalent offer within 30 days.

The aforementioned agreement has been extended through May 31, 2007 by mutual consent.

During the [year ended December 31, 2006](#), the Company has become aware of the transfer of EDF group's interest in EDF Global Solución S.A.

#### **Agreement with Electricidad Argentina S.A. (controlling company)**

On April 4, 2006, the Company and EASA entered into an agreement pursuant to which EASA will provide technical advisory services on financial matters as from September 19, 2005 and for a term of five years. In consideration of these services, EDENOR will pay EASA an annual amount of US\$ 2 million plus VAT. Any of the parties may terminate the agreement at any time by giving 60 days' notice, without having to comply with any further obligations or paying any indemnification to the other party. The first annual payment was made on April 19, 2006.

## **22. CAPITAL STOCK**

### **a) General**

As of December 31, 2006, the Company's capital stock amounts to 831,610, which has been fully paid-in and registered with the Public Registry of Commerce. There has been no change in capital stock over the last three fiscal years (Note 29).

On June 12, 1996, the Extraordinary Shareholders' Meeting approved the offsetting of the account "Unappropriated Retained Earnings – Accumulated deficit" as of December 31, 1995, against the "Adjustment to Capital" account.

**b) Restriction on the transfer of the Company's common shares**

The Company's by-laws provide that Class "A" shareholders may transfer their shares with the prior approval of the ENRE, The ENRE must inform about its decision within 90 days, otherwise the transfer will be deemed approved.

In addition, Class "A" shares are pledged during the entire term of the concession as a guarantee for the performance of the obligations assumed under the Concession Agreement.

Additionally, in connection with the issue of the Class 2 Corporate Notes (Note 16), EASA is required to be the beneficial owner and owner of record of not less than 51% of EDENOR's issued, voting and outstanding shares.

Furthermore, as indicated in Note 1, there was a pledge agreement pursuant to which NEV had granted in favor of EDFI and EDF a first-priority preferred security interest on the Class "B" shares it holds in the Company, representing 14% of EDENOR's capital stock, as security for the performance of certain obligations.

**c) Employee Stock Ownership Program (ESOP)**

Decree N° 714/92 of the Argentine Federal Executive Power, pursuant to which the Company was created, established that 10% of the Company's capital stock, represented by Class "C" shares, would be allocated to an Employee Stock Ownership Program (ESOP) in compliance with the provisions of chapter III of Law N° 23,696. Decree N° 265 of the Argentine Federal Executive Power (published in the *Official Gazette* on February 22, 1994) ordered the following:

- approval of the formal legal instruments of this Program,
- awarding of Class "C" shares to the employees acquiring them,
- setting of the selling price of said shares at 0.92 pesos per share, and
- appointment of Banco de la Nación Argentina as trustee.

The holders of the Class "C" shares are represented by a director and an alternate director in the Board. During the term of the ESOP, neither the corporate purpose nor the proportion among the different classes of shares may be modified unless the requirements set forth in the Program are strictly observed.

In order to implement the ESOP, a general transfer agreement, a share syndication agreement and a trust agreement were executed. Pursuant to the transfer agreement, participant employees were allowed to defer payment over the Class "C" shares over time. As a guarantee for the payment of the deferred purchase price, the Class "C" shares were pledged in favor of the Argentine government. This pledge, which continues to be in effect, will remain in effect until the full payment to the Argentine government of all the Class "C" shares. In addition, the Class "C" shares are subject to restrictions on sale and transfer until the deferred purchase price has been paid in full and the pledge has been released.

Under the trust agreement, Banco de la Nación Argentina is entitled to receive all dividends corresponding to the Class "C" shares and 50 % of any payment under the Company's Profit-Sharing Bonds described below. Banco de la Nación Argentina is required to pay to the Argentine Government 90 % of the amounts received as payment of the deferred purchase price, and to set aside the remaining 10 % in a "Guarantee and Repurchase Fund "Fondo de Garantía y Recompra" for the benefit of the participant employees.

In compliance with the requirements of the Public Offering Transparency Decree and CNV regulations, in November 2005 Dolphin Energía S.A. launched a tender offer to acquire all Class "C" shares held by ESOP beneficiaries at a price per share equal to the price paid by Dolphin Energía S.A. for the acquisition of its indirect controlling stake in the Company from EDFI. After the launching of the offer, the ESOP's Executive Committee communicated to Dolphin Energía S.A. that it intended to reject the offer because the price offered did not cover the outstanding amount of the debt incurred to finance the initial purchase of Class "C" shares. Due to the fact that the ESOP's Executive Committee

had stated their objection to the tender offer, on December 1, 2005, the CNV suspended the offer until its feasibility and the legal capacity of the ESOP's Executive Committee to adopt decisions with respect to such tender offer could be determined. As a result of the objection, and with the purpose of ending this process, a Class "C" Shareholders' Meeting held on September 13, 2006 ratified the actions taken by the Executive Committee rejecting the tender offer for the acquisition of EDENOR's Class "C" shares. Consequently, on December 7, 2006, the Board of Directors of the National Securities Commission declared void the tender offer for the acquisition of Class "C" shares.

Additionally, the by-laws provide for the issuance of Profit-Sharing Bonds in favor of all Company's employees, whether or not such employees participate in the ESOP, pursuant to section 230 of Law N° 19,550, so that 0.5% of each year's net income be distributed among them after any accumulated deficit has been fully offset. For the years ended December 31, 2006, 2005 and 2004, the Company has not accrued any amount for this concept, due to the existence of accumulated deficit.

## 23. REGULATORY FRAMEWORK

### a) General

The Company's business is regulated by Law N° 24,065, which created ENRE. In this connection, the Company is subject to the regulatory framework provided under the aforementioned Law and the regulations issued by the ENRE.

The ENRE is empowered to: a) approve and control tariffs, and b) control the quality of both the service and the technical product, as established in the Concession Agreement. Failure to comply with the provisions of such Agreement and the rules and regulations governing the Company's business will make the Company liable to penalties that may include the forfeiture of the concession.

As from September 1, 1996, there has been a change in the methods applied to control the quality of both the product and the service provided by the Company. Within this new framework, compensation between areas and circuits of different quality is not allowed, instead, the specific quality provided to individual customers, rather than an average customer value, must be measured. As a result, fines will be credited to users affected by service deficiencies in future bills. Penalties are imposed in connection with the following major issues:

1. Deviation from quality levels of technical product, as measured by voltage levels and network variations;
2. Deviation from quality levels of technical service, as measured by the average interruption frequency per Kilovatio (KVA) and total interruption time per KVA;
3. Deviation from quality levels of commercial service, as measured by the number of claims and complaints made by customers, service connection times, the number of estimated bills and billing mistakes;
4. Failure to comply with information gathering and processing requirements so as to evaluate the quality of both the technical product and the technical service;
5. Failure to comply with public safety regulations.

As of December 31, 2006 and 2005, the Company has accrued the penalties for resolutions not yet issued by the ENRE corresponding to the six-month control periods elapsed through those dates. As of December 31, 2006, the Company has accounted for the adjustment contemplated in the Temporary Tariff Regime (TTR) (Note 32.a). Consequently, as of that date penalties amounting to 241,079 and have been included in non-current liabilities (Note 10). The payment plan has been described in Note 32.a

Furthermore, as of December 31, 2006, the Company's management has considered that the ENRE has complied with the obligation to suspend lawsuits aimed at collecting penalties.

Furthermore, the Company has been notified of certain preliminary attachments levied on funds deposited in its bank accounts as a consequence of the executory proceedings brought by the ENRE against the Company for imposed and unpaid penalties in the amount of 67 and 13,298 as of December 31, 2006 and 2005, respectively (Note 5). Additionally, after December 31, 2006 and until the date of issuance of these financial statements, the Company has not been notified of any other attachments (Note 23.b) (Note 32.a).

Moreover, on July 12, 2006 the National Energy Secretariat issued Resolution N° 942/2006 which modifies the allocation of any excess funds resulting from the difference between surcharges billed and discounts made to customers, deriving from the implementation of the Program for the Rational Use of Electric Power (PUREE), which provides for the application of both tariff incentives and penalties aimed at encouraging customers to reduce consumption. As from July 1, 2006, such excess funds may be applied against the amount that the Company maintains in the Trade receivables account as Unbilled – Electric Power National Fund, for “Quarterly Adjustment Coefficient of the National Fund of Electricity” (section 1 of Law N° 25,957) in the amount of 23,015. Such application will be in effect until the Company is allowed to transfer such adjustment to the electricity tariff, as provided for in section 40, clause c) of Law N° 24,065. On August 10, 2006 the ENRE issued Resolution N° 597/2006 which regulates the aforementioned Resolution N° 942/2006 of the National Energy Secretariat and establishes the compensation mechanism to be used.

## **b) Concession**

The term of the concession is 95 years and may be extended for an additional maximum period of 10 years. The term of the concession is divided into management periods: a first period of 15 years and subsequent periods of 10 years. At the end of each management period, the Class “A” shares representing 51% of EDENOR’s capital stock, currently held by EASA, must be offered for sale through a public bidding. If EASA makes the highest bid, it will continue to own the Class “A” shares, no further disbursements being necessary. On the contrary, if EASA is not the highest bidder, then the bidder who makes the highest bid must pay EASA the amount of the bid in accordance with the conditions of the public bidding. The proceeds of the sale of Class “A” shares will be delivered to EASA after deducting any amounts receivable to which the Grantor of the concession may be entitled.

In accordance with the provisions of the Concession Agreement, the Company shall take the necessary measures to guarantee the supply and availability of electricity so as to meet demand in due time and in accordance with stipulated quality levels, for which purpose the Company shall be required to guarantee sources of supply.

For such purpose, 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 its power supply from the Electric Power Wholesale Market (MEM), thus being obliged to supply all the electric power that may be required. In addition, the Company, shall allow free access to its facilities to any MEM agents whenever required, under the terms of the Concession. No canon must be paid by the Company under the Concession Agreement during the term of the Concession.

On January 6, 2002, the Federal Executive Power passed Law N° 25,561 whereby adjustment clauses denominated in US dollars or any other foreign currencies, indexation clauses based on price indexes from other countries, as well as any other indexation mechanisms stipulated in the contracts entered into by the Federal Government, including those related to public utilities, were declared null and void as from such date. The resulting prices and rates were converted into Argentine pesos at a rate of 1 peso per US dollar. Furthermore, Law N° 25,561 authorized the Federal Executive Power to renegotiate public utility contracts taking certain requirements into account.

It is worth mentioning that in accordance with the provisions of Laws N° 25,972, 26,077 and 26,204, both the declaration of economic emergency and the period to renegotiate public utility contracts were extended through December 31, 2005, 2006 and 2007, respectively.

As a part of the renegotiation process, the Unit of Renegotiation and Analysis of Public Utility Contracts (UNIREN) proposed the signing of an Adjustment Agreement that would be the basis of a comprehensive renegotiation agreement of the Concession Agreement. The Company satisfied the regulatory agency’s requirements; provided an answer to the proposal and attended the public hearing convened for such purpose, rejecting in principle the proposal on the grounds that it did not properly address the need to redefine the terms of the agreement as contemplated by the law. Nevertheless, the Company ratified its willingness to reach an understanding that would restore the financial and economic equation of the concession agreement. On September 21, 2005, the Company signed the Adjustment Agreement within the framework of the process of renegotiation of the Concession Agreement set forth in Law N° 25,561 and supplementary regulations. Due to the appointment of a new Economy and Production Minister, on

February 13, 2006 a new copy of the Adjustment Agreement was signed under the same terms as those stipulated in the agreement signed on September 21, 2005.

The Adjustment Agreement establishes the following:

- i) the implementation of a Temporary Tariff Regime (RTT) effective as from November 1, 2005, including a 23% average increase in the distribution cost, service connection costs and service reconnection costs, which may not result in an increase in the average tariff of more than 15%, and an additional 5% average increase in the value added distribution (VAD), allocated to certain specified capital expenditures;
- ii) the requirement that during the term of said temporary tariff regime, dividend payment be subject to the approval of the regulatory authority,
- iii) the establishment of a "social tariff" for the needy and the levels of quality of the service to be rendered;
- iv) the suspension of the claims and legal actions filed by the Company and its shareholders in national or foreign courts due to the effects caused by the Economic Emergency Law (Note 31);
- v) the carrying out of a Revision of the Company Tariff Structure (RTI) which will result in a new tariff regime 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 N° 24,065, the National Electric Power Regulatory Authority 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 during 2006, plus an additional investment of 25.5 million should it be required (see the provisions of Resolution No. 51/2007 of the ENRE described in Note 32.a.vi)
- 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 were notified, or whose cause or origin arose in the period between January 6, 2002 and the date on which the Adjustment Agreement goes into effect .
- viii) the waiver of the penalties imposed by the ENRE that are payable to the Argentine State, which were notified, or their cause or origin arose in the period between January 6, 2002 and the date on which the Adjustment Agreement goes into effect .
- ix) the payment of the penalties imposed by the ENRE, which are described in paragraph vii above, in fourteen semiannual installments, which represent approximately two-thirds of the penalties imposed by the ENRE before January 6, 2002 as well as of those that were notified, or whose cause or origin arose in the period between January 6, 2002 and the date on which the Adjustment Agreement goes into effect, subject to compliance with certain requirements;

Said agreement was ratified by the Federal Executive Power through Decree No. 1957/06, signed by the President of Argentina on December 28, 2006 and published in the *Official Gazette* on January 8, 2007. This agreement stipulates the terms and conditions that, upon compliance with the other procedures required by the regulations, will be the fundamental basis of the Comprehensive Renegotiation of the Concession Agreement of electric power distribution and sale within the federal jurisdiction, between the Federal Executive Power and the Company (Note 32.a).

In addition to the adjustment of the penalties described in paragraph a) of this note, the effects of the Adjustment Agreement (tariff increase) have been taken into account in the business projections made for the purposes of determining the amount of the allowance for impairment of value of net deferred tax assets, as described in Note 3.n (Note 32.a).

Revenues from the retroactive increase deriving from the implementation of the new electric rate schedule applicable to non-residential consumption for the period of November 1, 2005 through January 31, 2007, will be recognized in the financial statements for the next fiscal year beginning on January 1, 2007. In accordance with the guidelines of Resolution No. 51/2007 of the ENRE, which approved the new electric rate schedule, the aforementioned increase will be invoiced in 55 monthly, equal and consecutive installments (Note 32.a).

### c) Concession of the use of real property

Pursuant to the Bid Package, SEGBA granted the Company the free use of real property for periods of 3, 5 and 95 years, with or without a purchase option, based on the characteristics of each asset, and the Company would be responsible for the payment of any taxes, charges and contributions levied on such properties and for the taking out of insurance against fire, property damage and third-party liability, to SEGBA's satisfaction.

The Company may make all kind of improvements to the properties, including new constructions, upon SEGBA's prior authorization, which will become the grantor's property when the concession period is over, and the Company will not be entitled to any compensation whatsoever. SEGBA may terminate the gratuitous bailment contract after demanding the performance by the Company of any pending obligation, in certain specified cases contemplated in the Bid Package. At present, as SEGBA's residual entity has been liquidated, these presentations and controls are made to the National Agency of Public Properties (ONABE).

As of the date of issuance of these financial statements, the Company had acquired for an amount of 12,765, nine of these properties whose gratuitous bailment contracts had expired. The title deeds of eight of these properties have been executed at a price of 12,375. As for the remaining property, a down payment of 117 has been made while the outstanding amount of 273 will be payable upon the execution of the title deed on a date to be set by the Ministry of Economy.

## 24. CASH FLOW INFORMATION

### a) Cash and cash equivalents:

For the preparation of the Statement of Cash Flows, the Company considers as cash equivalents all highly liquid investments with original maturities of three months or less.

	<u>As of December 31, 2006</u>	<u>As of December 31, 2005</u>	<u>As of December 31, 2004</u>
Cash and Banks	481	11,659	8,508
Time deposits	1,360	278,238	219,104
Money market funds	30,832	18,242	23,500
Total cash and cash equivalents in the Statement of Cash Flows	<u>32,673</u>	<u>308,139</u>	<u>251,112</u>

### b) Interest paid and collected:

**For the years ended December 31,**

	<u>2006</u>	<u>2005</u>
Interest paid during the year	(35,951)	(46,494)
Interest collected during the year	2,175	2,038

## 25. INSURANCE COVERAGE

As of December 31, 2006, the Company has taken out the following insurance policies for purposes of safeguarding its assets and commercial operations:

<u>Risk covered</u>		<u>Insured amount</u>
Comprehensive (1)	US\$	309,549,950
Mandatory life insurance	\$	16,719,750
Theft of securities	US\$	100,000
Vehicles (theft, third party liability and damages)	\$	5,021,602
Special equipment	US\$	598,417
Land freight	US\$	2,000,000
Imports freight	\$	2,250,000

- (1) Includes: fire, partial theft, tornado, hurricane, earthquake, earth tremors, flooding and debris removal from facilities on facilities providing actual service, except for high, medium and low voltage networks.

## **26. CLAIM OF THE PROVINCE OF BUENOS AIRES BOARD OF ELECTRIC POWER**

On December 1, 2003, the Board of Electric Power of the Province of Buenos Aires (Board) filed a claim against EDENOR in the amount of 284,364 that includes surcharges and interest as of the date of the claim, and imposed penalties for an amount of 25,963, due to the Company's failure to act as collecting agent of certain taxes established by Decrees-law N° 7290/67 and 9038/78 from July 1997 through June 2001.

On December 23, 2003, the Company appealed the Board's decision with the Tax Court of the Province of Buenos Aires, which had effect of temporarily suspending the Company's obligation to pay. Such appeals were filed on the grounds that the Federal Supreme Court had declared that the regulations established by the aforementioned Decrees-law were unconstitutional, as they were incompatible with the Province of Buenos Aires' commitment not to levy any taxes on the transfer of electricity.

Therefore, no accrual has been recorded for these claims as the Company's management believes that there exist solid arguments to support its position.

## **27. PRELIMINARY ATTACHMENT FOR ALLEGED ENVIRONMENTAL POLLUTION**

On May 24, 2005, three of EDENOR's employees were indicted on charges of polychlorinated biphenyl (PCB)-related environmental contamination, dangerous to human health, which is a violation of Argentine law. In connection with this alleged violation, the judge ordered a preliminary attachment on the Company's assets in the amount of 150 million to cover the potential cost of damage repair, environmental restoration and court costs. On May 30, 2005, the Company filed appeals against both the charges brought against its employees and the attachment order. On December 15, 2005, the Court of Appeals dismissed the charges against all three defendants and, accordingly, revoked the attachment order against the Company's assets. The decision of the Court of Appeals also established that the trial judge should order the acquittal of two ENRE public officers who had been indicted on related charges. An appeal against this decision was filed in the Tribunal de Casación (the highest appellate body for this matter), which on April 5, 2006 ruled that the appeal against the decision regarding EDENOR's employees and the Company was not admissible because decisions rendered on grounds of lack of evidence were not subject to review. The Tribunal de Casación allowed the appeal against the decision regarding ENRE officers.

The Company's management estimates there are no legal grounds for any action against the Company or its employees in connection with this matter. Accordingly, no accrual has been recorded.

## **28. RESTRICTION ON THE DISTRIBUTION OF EARNINGS**

In accordance with the provisions of Law N° 19,550, 5% of the net income for the year must be appropriated to the legal reserve, until such reserve equals 20% of capital stock. The Ordinary Shareholder's Meeting held on April 27, 2006, did not appropriate any amount to said legal reserve as of December 31, 2005, due to the existence of accumulated losses as of the end of that year.

Moreover, in accordance with the provisions of Law N° 25,063, passed in December 1998, dividends to be distributed, whether in cash or in kind, in excess of accumulated taxable profits as of the fiscal year-end immediately preceding the date of payment or distribution, shall be subject to a final 35% income tax withholding, except for those dividends distributed to shareholders who are residents of countries benefited from conventions for the avoidance of double taxation, who will be subject to a lower tax rate. For income tax purposes, accumulated taxable income shall be the unappropriated retained earnings as of the end of the year immediately preceding the date on which the above-mentioned law went into effect, less dividends paid plus the taxable income determined as from such year and dividends or income from related companies in Argentina.

Since the restructuring of the Company's financial debt referred to in Note 14, the Company is not allowed to distribute dividends until April 24, 2008 or until such time when the Company's leverage ratio is lower than 2.5, whichever occurs first. As from such date/time, distribution of dividends will only be allowed under certain circumstances depending on the Company's indebtedness ratio.

Certain restrictions on the distribution of dividends by the Company and the need for approval by the ENRE for any distribution have been disclosed in Note 23 b).

## **29. INITIAL PUBLIC OFFERING OF CAPITAL STOCK IN LOCAL AND INTERNATIONAL MARKETS**

On April 28, 2006, the Company's Board of Directors decided to initiate the public offering of part of the Company's capital stock in local and international markets, including, but not limited to the trading of its shares in the Buenos Aires Stock Exchange and the New York Stock Exchange (NYSE), United States of America.

On June 7, 2006, the Ordinary and Extraordinary Shareholders' Meeting resolved to request authorization for the public offering from both the National Securities Commission (CNV) and the Securities and Exchange Commission (SEC) of the United States, as well authorization to trade from both the Buenos Aires Stock Exchange and the New York Stock Exchange, entrusting the Board with the task of taking the necessary steps to implement such decision.

Additionally, it was decided that an American Depositary Receipts (ADRs) program, represented by American Depositary Shares (ADSs) would be created and that it would be the responsibility of the Board of Directors to determine the terms and conditions and the scope of the program.

For the year ended December 31, 2006, expenses incurred by the Company in relation to this process amounted to 10,604. As of year-end, the amount of 3,820 was still pending.

The Ordinary and Extraordinary Shareholders' Meeting held on June 7, 2006 resolved to increase capital stock for an amount of up to 83,161 represented by 51% of class A shares, 39% of class B shares and 10% of class C shares, all of which are entitled to one vote and have a nominal value of one peso each. The implementation of this decision was delegated to the Board of Directors. As of December 31, 2006, such capital increase has been neither subscribed nor paid-in.

### 30. BREAKDOWN OF TEMPORARY INVESTMENTS, RECEIVABLES AND LIABILITIES BY COLLECTION AND PAYMENT TERMS

As required by CNV's regulations, the balances of the accounts below as of December 31, 2006, are as follow:

<u>Term</u>	<u>Time Deposits and Money Market Funds</u>	<u>Receivables (1)</u>	<u>Loans</u>	<u>Other payables (2)</u>
<u>With no explicit due date</u>	30,832	0	0	241,079
<u>With due date</u>				
Past due:				
Up to three months	0	42,941	0	0
From three to six months	0	9,358	0	0
From six to nine months	0	5,568	0	0
From nine to twelve months	0	4,417	0	0
Over one year	<u>0</u>	<u>44,020</u>	<u>0</u>	<u>0</u>
Total past due	<u>0</u>	<u>106,304</u>	<u>0</u>	<u>0</u>
To become due:				
Up to three months	1,360	226,280	2,029	376,067
From three to six months	0	805	0	15,450
From six to nine months	0	805	0	8,751
From nine to twelve months	0	805	0	7,390
Over one year	<u>0</u>	<u>288,737</u>	<u>1,095,490</u>	<u>51,537</u>
Total to become due	<u>1,360</u>	<u>517,432</u>	<u>1,097,519</u>	<u>459,195</u>
Total with due date	<u>1,360</u>	<u>623,736</u>	<u>1,097,519</u>	<u>459,195</u>
Total	<u>32,192</u>	<u>623,736</u>	<u>1,097,519</u>	<u>700,274</u>

(1) Excludes allowances

(2) Comprises total liabilities except accrued litigation and debt notes.

Due to the financial debt restructuring mentioned in Note 14, Corporate Notes accrue interest at floating and fixed rates, which amount to approximately 8% on average; only 3.36% of the debt accrues interest at a floating rate whereas the remaining accrues interest at a fixed rate.

### 31. EFFECTS OF THE DEVALUATION OF THE ARGENTINE PESO AND OF OTHER CHANGES TO THE ECONOMIC RULES

Since early December 2001, the Argentine Government Authorities implemented a number of monetary and exchange control measures that mainly included restrictions on (i) the free availability of funds deposited with banks and (ii) the making of transfers of funds abroad, other than those related to foreign trade, which required Argentine Central Bank's prior approval.

On January 6, 2002, the Argentine Congress passed the Economic Emergency and Foreign Currency Exchange System Reform Law N° 25,561 which involved a significant change of the economic model then in force, and the amendment of the Convertibility Law under which the peso had been pegged at par with the dollar since March 1991. The new Law further empowered the Federal Executive Power to

implement additional monetary, financial and foreign currency exchange measures to overcome the economic crisis in the medium term.

As a consequence of the changes implemented, from January 2002 to June 2006 there was an increase in the domestic wholesale price index of 178.6%, in accordance with the information released by the Argentine Institute of Statistics and Census.

As established by the aforementioned Economic Emergency and Foreign Currency Exchange System Reform Law, the exchange loss resulting from applying the new rate of exchange to the net position of assets and liabilities denominated in foreign currency as of January 6, 2002, has been deducted from income tax at a rate of 20% per annum over the five fiscal years ending after the effective date of the above mentioned Law.

Moreover, through different resolutions issued by the BCRA, the restrictions imposed on the remittance of funds abroad were lifted. However, the obligation to comply with the information reporting requirement established by BCRA's Resolution A 3602 and supplementary regulations is still in effect.

Furthermore, different regulations were issued that established:

- b) the conversion into pesos of public works contracts and privatized utility rates with adjustment clauses in US dollars at the rate of ARS 1 per US dollar.  
The impossibility of applying the tariff adjustment mechanisms stipulated in the concession agreement.
- c) the renegotiation of the concession agreement, whose process was declared open by Law N° 25,561 and regulated by Decrees N° 370/02 and 311/03 of the Federal Executive Power. The period for the completion of the aforementioned process has been extended by Law N° 25,972 until December 31, 2005, and subsequently until December 31, 2006 by Law N° 26,077.

These financial statements include the effects deriving from the new economic and foreign currency exchange policies known as of their date of issuance. All estimates made by the Company's Management have contemplated such policies. The effects of any additional measures to be implemented by the Government and the regulations to be issued on measures previously adopted will be recognized in the financial statements at the time the Company's Management becomes aware of them.

## **32. SUBSEQUENT EVENTS**

### **a) Ratification of the Adjustment Agreement:**

On January 8, 2007, Decree No. 1957/06, which was signed by the President of Argentina on December 28, 2006, was published in the *Official Gazette*. Pursuant to such Decree, the Federal Government ratified the Adjustment Agreement for the renegotiation of the concession agreement signed by the Company (Note 23 b).

Additionally, on February 5, 2007 the *Official Gazette* published ENRE Resolution No. 51/2007 which approves the Company's new electricity rate schedule that will be effective for electricity consumption beginning from February 1, 2007. This document provides for the following:

- i) A 23% average increase in the Company's distribution costs, service connection costs and service reconnection costs in effect which the Company collects as the holder of the concession of the public service of electric power distribution, except for the residential tariffs;
- ii) Implementation of an additional 5% average increase in the Company's distribution costs, to be applied to the execution of the works and infrastructure plan detailed in Appendix II of the Adjustment Agreement;
- iii) Implementation of the Cost Monitoring Mechanism (MMC) contemplated in Appendix I of the Adjustment Agreement, which for the six-month period beginning November 1, 2005 and ended April 30, 2006, was 8.032%. This percentage shall be applied to non-residential consumption recorded from May 1, 2006 to January 31, 2007;
- iv) Invoicing in 55 equal and consecutive monthly installments of the differences arising from the implementation of the new electricity rate schedule for non-residential consumption recorded from

November 1, 2005 to January 31, 2007 (paragraphs i) and ii) above) and from May 1, 2006 and January 31, 2007 (paragraph iii) above);

- v) Invoicing of the differences corresponding to deviations between foreseen physical transactions and those effectively carried out and of other concepts related to the Wholesale Electric Power Market (MEM), such as the Canon payable for the expansion of the network, Transportation and Others, included in Trade Receivables under Receivables from sales of electricity as Unbilled (Note 4).
- vi) Presentation, within a period of 45 calendar days from the issuance of this resolution, of an adjusted annual investment plan in physical and monetary values, in compliance with the requirements of the Adjustment Agreement.

**b) Municipal bonds:**

On January 4, 2007 the Company sold the Municipal bonds held in its portfolio for a value of 5,947. As of December 31, 2006 the amount recorded for such bonds was 5,918. (Note 3 e).

**33. FINANCIAL STATEMENTS TRANSLATION INTO ENGLISH LANGUAGE**

These financial statements are presented in conformity with generally accepted accounting principles in Argentina. The effect of the differences between accounting principles generally accepted in Argentina and the accounting principles generally accepted in the countries in which the accompanying financial statements are to be used has not been quantified.

Accordingly, it must be taken into consideration that these financial statements are not intended to present the position of the Company, or the results of its operations, changes in shareholders' equity and cash flows in conformity with accounting principles of the countries of users of the financial statements other than Argentina.

The translation into English of these financial statements has been made solely for the convenience of English speaking-readers.

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR S.A.)**

(English translation of the financial statements originally issued in Spanish - Note 33)

**FINANCIAL STATEMENTS AS OF DECEMBER 31, 2006 AND 2005**

**EXHIBIT A**

**PROPERTY, PLANT AND EQUIPMENT**

(stated in thousands of pesos)

MAIN ACCOUNT	Original value					Depreciation					Net book value 2006	Net book value 2005
	At beginning of year	Additions	Retirements	Transfers	At end of year	At beginning of year	Retirements	For the year	Annual rate	At end of year		
<b>FACILITIES IN SERVICE</b>												
Substations	836,488	0	0	13,352	849,840	258,469	0	25,634	3 - 4%	284,103	565,737	578,019
High voltage networks	334,438	0	0	8,669	343,107	112,232	0	10,621	3 - 4%	122,853	220,254	222,206
Medium voltage networks	729,954	0	(361)	19,063	748,656	251,714	(105)	23,748	3 - 4%	275,357	473,299	478,240
Low voltage networks	1,592,898	0	(915)	36,196	1,628,179	814,680	(539)	64,061	4 - 5%	878,202	749,977	778,218
Transformation chambers and platforms	430,609	0	(22)	30,204	460,791	160,060	(4)	15,278	3 - 4%	175,334	285,457	270,549
Meters	503,662	0	0	43,225	546,887	188,702	0	22,355	4 - 5%	211,057	335,830	314,960
Property	75,026	0	0	1,189	76,215	18,501	0	1,454	2 - 3%	19,955	56,260	56,525
Communications network and facilities	83,637	0	0	0	83,637	44,078	0	4,195	4 - 5%	48,273	35,364	39,559
Total facilities in service	4,586,712	0	(1,298)	151,898	4,737,312	1,848,436	(648)	167,346		2,015,134	2,722,178	2,738,276
<b>FURNITURE, TOOLS AND EQUIPMENT</b>												
Furniture, equipment and software projects	157,015	4,898	0	0	161,913	141,898	0	9,133	12 - 13%	151,031	10,882	15,117
Tools and other	44,391	531	0	0	44,922	39,211	0	2,002	10 - 11%	41,213	3,709	5,180
Transportation equipment	15,412	386	(732)	0	15,066	13,609	(732)	499	20%	13,376	1,690	1,803
Total furniture, tools and equipment	216,818	5,815	(732)	0	221,901	194,718	(732)	11,634		205,620	16,281	22,100
Total assets subject to depreciation	4,803,530	5,815	(2,030)	151,898	4,959,213	2,043,154	(1,380)	178,980		2,220,754	2,738,459	2,760,376
<b>CONSTRUCTION IN PROCESS</b>												
Transmission	50,347	85,944	0	(22,021)	114,270	0	0	0	-	0	114,270	50,347
Distribution and other	78,547	124,023	0	(129,877)	72,693	0	0	0	-	0	72,693	78,547
Total construction in process	128,894	209,967	0	(151,898)	186,963	0	0	0		0	186,963	128,894
Total 2006	4,932,424	215,782	(2,030)	0	5,146,176	2,043,154	(1,380)	178,980		2,220,754	2,925,422	-
Total 2005	4,810,822	124,482	(2,880)	0	4,932,424	1,866,697	(1,986)	178,443		2,043,154	-	2,889,270

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR S.A.)**

(English translation of the financial statements originally issued in Spanish - Note 33)

**FINANCIAL STATEMENTS AS OF DECEMBER 31, 2006 AND 2005**

**EXHIBIT C**

**INVESTMENTS IN OTHER COMPANIES**

(stated in thousands of pesos)

Name and features of securities	Class	Face value	Number	Adjusted cost	Value on equity method	Net book value 12/31/06	Information on Issuer					Net book value 12/31/05	
							Main activity	Last financial statements issued					% interest in capital stock
								Date	Capital	Income for the year	Equity		
<b>NON-CURRENT INVESTMENTS</b>  Art. 33 Law No. 19,550 -Companies-  Related Company: SACME S.A.	common non-endorsable	\$ 1	6,000	15	378	378	Electric power services	12/31/2006	28	0	756	50	368
Total						378							368

<b>EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR S.A.)</b>
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(English translation of the financial statements originally issued in Spanish - Note 33)

**FINANCIAL STATEMENTS AS OF DECEMBER 31, 2006 AND 2005**

**EXHIBIT D**

**OTHER INVESTMENTS**

(stated in thousands of pesos)

MAIN ACCOUNT	Net book value	
	2006	2005
<b>CURRENT INVESTMENTS</b>		
Time deposits		
. in foreign currency (Exhibit G)	1,360	218,059
. in local currency	0	60,179
Money market funds		
. in local currency	30,832	18,242
Total	32,192	296,480

<b>EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR S.A.)</b>
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(English translation of the financial statements originally issued in Spanish - Note 33)

## FINANCIAL STATEMENTS AS OF DECEMBER 31, 2006 AND 2005

EXHIBIT E

## ALLOWANCES AND ACCRUALS

(stated in thousands of pesos)

MAIN ACCOUNT	2006				2005
	At beginning of year	Additions	Retirements	At end of year	At end of year
<b>Deducted from current assets</b>					
For doubtful accounts	20,228	10,895	(5,500)	25,623	20,228
For other doubtful accounts	1,605	695	0	2,300	1,605
For impairment of value of Municipal bonds	6,008	561	(651)	5,918	0
<b>Deducted from non-current assets</b>					
For impairment of value of Municipal bonds	0	0	0	0	6,008
For impairment of value of net deferred tax assets	312,187	0	(279,926)	32,261	312,187
<b>Included in current liabilities</b>					
Accrued litigation	18,332	13,400	(5,818)	25,914	18,332
<b>Included in non-current liabilities</b>					
Accrued litigation	38,651	1,955	0	40,606	38,651

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR S.A.)**

(English translation of the financial statements originally issued in Spanish - Note 33)

**FINANCIAL STATEMENTS AS OF DECEMBER 31, 2006 AND 2005**

**EXHIBIT G**

**FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES**

Account	2006			2005	
	Foreign currency type and amount (2)	Exchange rate (1)	Booked amount in thousands of pesos	Foreign currency type and amount (2)	Booked amount in thousands of pesos
<b>Current Assets</b>					
Cash and banks	US\$ 61,953 ECU 31,288	3.022 3.9860	187 125	US\$ 78,988 ECU 31,266	236 111
Investments					
Time deposits	US\$ 450,184	3.022	1,360	US\$ 72,880,822	218,059
Other receivables					
Prepaid expenses	US\$ 33,450	3.022	101	US\$ 37,450	112
Related companies	US\$ 2,901,129	3.022	8,767		
Other	US\$ 249,637	3.022	754	US\$ 304,334 ECU 1,756	911 6
<b>Total Current Assets</b>			<b>11,294</b>		<b>219,435</b>
<b>Total Assets</b>			<b>11,294</b>		<b>219,435</b>
<b>Current Liabilities</b>					
Trade accounts payable	US\$ 5,050,196 ECU 199,772	3.062 4.0391	15,464 807	US\$ 3,553,998 ECU 374,597	10,776 1,344
Financial loans	US\$ 662,494	3.062	2,029	US\$ 534,342,395	1,620,126
Other liabilities					
Technical assistance - Operator's compensation	US\$ 1,458,332	3.062	4,465	US\$ 666,668	2,021
Fees related to the initial public offering of capital stock	US\$ 1,229,162	3.062	3,764		
Fees related to debt restructuring	US\$ 2,383,781	3.062	7,299		
Other	US\$ 738,336 ECU 42,986	3.062 4.039	2,261 174	US\$ 776,665 ECU 185,992	2,355 667
<b>Total Current Liabilities</b>			<b>36,263</b>		<b>1,637,289</b>
<b>Non-Current Liabilities</b>					
Loans notes	US\$ 376,429,657	3.062	1,152,628		
<b>Total Non-Current Liabilities</b>			<b>1,152,628</b>		<b>0</b>
<b>Total Liabilities</b>			<b>1,188,891</b>		<b>1,637,289</b>

(1) Selling and buying exchange rate of Banco de la Nación Argentina in effect at the end of the year.

(2) US\$ = US Dollar; ECU = Euro

<b>EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR S.A.)</b>
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(English translation of the financial statements originally issued in Spanish - Note 33)

**INFORMATION REQUIRED BY SECTION 64 CLAUSE b) OF LAW No. 19,550**

**EXHIBIT H**

**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

(stated in thousands of pesos)

Description	2006				2005
	Transmission and Distribution Expenses	Administrative Expenses	Selling Expenses	Total	Total
Salaries and social security taxes	96,820	31,622	20,466	148,908	117,733
Postage and telephone	1,942	1,277	6,619	9,838	8,440
Bank commissions	0	0	6,663	6,663	6,037
Allowance for doubtful accounts	0	0	11,590	11,590	18,011
Supplies	20,109	1,624	873	22,606	18,765
Work by third parties	53,810	4,921	25,109	83,840	65,249
Rent and insurance	1,179	2,569	430	4,178	5,319
Security service	3,450	441	166	4,057	3,810
Fees	1,008	3,814	108	4,930	5,268
Computer services	47	8,084	2,015	10,146	8,448
Advertising	0	9,975	0	9,975	4,055
Reimbursements to personnel	4,978	1,097	1,070	7,145	7,410
Temporary personnel	287	159	1,497	1,943	1,684
Depreciation of property, plant and equipment	171,239	5,568	2,172	178,979	178,443
Technical assistance - Operator's compensation	7,128	0	0	7,128	26,912
Directors and Supervisory Committee members' fees	0	0	0	0	535
Tax on financial transactions	0	19,159	0	19,159	17,058
Taxes and charges	0	1,170	9,082	10,252	10,172
Other	121	1,819	70	2,010	1,624
Total 2006	362,118	93,299	87,930	543,347	-
Total 2005	346,132	72,874	85,967	-	504,973

**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE S.A. (EDENOR S.A.)**

Azopardo 1025 - Capital Federal

**INFORMATIVE SUMMARY****FOR THE YEARS ENDED****DECEMBER 31, 2006, 2005, 2004, 2003 AND 2002****1. General Comments**

(Not covered by the Independent Auditors' Report)

(Figures stated in thousands of pesos as indicated in Note 2 to the financial statements)

During the year ended December 31, 2006, the Company recorded a net income of 293,066 , due to a) the gain on extinguishment of former debt and its related valuation at the net discounted value of future cash flows ( 236,381 ) and b) the reversal of the allowance for impairment of value of deferred tax assets ( 167,182 ). As of the end of the year, the Company's shareholders' equity amounts to 1,670,350 .

Net operating income amounted to 35,906 , as opposed to the 438 loss for the previous year. The positive result is due to the increase recorded in the gross margin (increase in electricity demand and decrease in penalties applied by the Regulatory Authority), partially offset by the increase recorded in operating costs.

The demand for electricity in the concession area recorded an accumulated increase of 6.1% as compared to the 2005 [fiscal year](#).

The investment in property, plant and equipment totaled 215,782. This amount was mainly allocated to increasing quality levels and meeting current and new customer demand.

It is worth mentioning that the Company restructured its financial debt, obtaining 100% approval of the creditors and a forgiveness of principal, interest and penalties of approximately \$185.2 million, equivalent to US\$ 60 million.

## 2. Comparative balance sheet structure

(figures stated in thousands of pesos as indicated in Note 2 to the financial statements)

<b>ACCOUNTS</b>	<b>12.31.2006</b>	<b>12.31.2005</b>	<b>12.31.2004</b>	<b>12.31.2003</b>	<b>12.31.2002</b>
Current Assets	347,467	575,565	500,818	423,018	315,782
Non-Current Assets	<u>3,187,196</u>	<u>3,000,885</u>	<u>3,003,803</u>	<u>3,055,075</u>	<u>3,124,974</u>
<b>Total Assets</b>	<u><b>3,534,663</b></u>	<u><b>3,576,450</b></u>	<u><b>3,504,621</b></u>	<u><b>3,478,093</b></u>	<u><b>3,440,756</b></u>
Current Liabilities	435,601	2,121,341	1,906,628	1,505,423	1,214,393
Non-Current Liabilities	<u>1,428,712</u>	<u>77,825</u>	<u>71,108</u>	<u>355,846</u>	<u>820,191</u>
<b>Total Liabilities</b>	<u><b>1,864,313</b></u>	<u><b>2,199,166</b></u>	<u><b>1,977,736</b></u>	<u><b>1,861,269</b></u>	<u><b>2,034,584</b></u>
<b>Shareholders' Equity</b>	<u><b>1,670,350</b></u>	<u><b>1,377,284</b></u>	<u><b>1,526,885</b></u>	<u><b>1,616,824</b></u>	<u><b>1,406,172</b></u>
<b>Total Liabilities and Shareholders' Equity</b>	<u><b>3,534,663</b></u>	<u><b>3,576,450</b></u>	<u><b>3,504,621</b></u>	<u><b>3,478,093</b></u>	<u><b>3,440,756</b></u>

## 3. Comparative income structure

(figures stated in thousands of pesos as indicated in Note 2 to the financial statements)

<b>ACCOUNTS</b>	<b>12.31.2006</b>	<b>12.31.2005</b>	<b>12.31.2004</b>	<b>12.31.2003</b>	<b>12.31.2002</b>
Net operating income (loss)	35,906	(438)	39,307	67,654	129,401
Financial income (expenses) and holding gains (losses)	112,922	(148,511)	(110,685)	157,255	(677,604)
Other income (expense), net	<u>(22,944)</u>	<u>(652)</u>	<u>(18,561)</u>	<u>(14,257)</u>	<u>(34,475)</u>
Income (Loss) before taxes	125,884	(149,601)	(89,939)	210,652	(582,678)
Income tax	<u>167,182</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Income (Loss) for the Year	<u><b>293,066</b></u>	<u><b>(149,601)</b></u>	<u><b>(89,939)</b></u>	<u><b>210,652</b></u>	<u><b>(582,678)</b></u>

**4. Statistical data (in units of power)**

(Not covered by the Report of Independent Registered Public Accounting Firm)

CONCEPT	UNIT	12.31.2006	12.31.2005	12.31.2004	12.31.2003	12.31.2002
Sales of electricity (1)	GWh	16,632	15,677	14,752	13,811	13,034
Electricity purchases (1)	GWh	18,700	17,623	16,673	15,811	14,865

(1) The related amounts include toll fees.

**5. Ratios**

	RATIOS	12.31.2006	12.31.2005	12.31.2004	12.31.2003	12.31.2002
<b>Current</b>	$\frac{\text{Current assets}}{\text{Current liabilities}}$	0.80	0.27	0.26	0.28	0.26
<b>Solvency</b>	$\frac{\text{Shareholders' Equity}}{\text{Total liabilities}}$	0.90	0.63	0.77	0.87	0.69
<b>Fixed assets</b>	$\frac{\text{Non-current assets}}{\text{Total assets}}$	0.90	0.84	0.86	0.88	0.91
<b>Income (loss) before taxes</b>	$\frac{\text{Income (Loss) before taxes}}{\text{Shareholders' Equity excluding income (loss) for the year}}$	9.14%	(9.80%)	(5.56%)	14.98%	(29.30%)

**6. Outlook**

(Not covered by the Independent Auditors' Report)

During the fiscal year 2006, the Argentine economy continued increasing at a high rate, to such an extent that some activities show signals of having reached the peak of installed capacity.

Both tax collection and the international reserves of the Argentine Central Bank continued increasing, as it occurred during 2005.

As regards inflation, the government continues monitoring the evolution of prices of some basic products and services, and has signed price agreements with several major companies.

The Company has successfully completed the financial debt restructuring process through an exchange of debt. The Company's Board of Directors firmly believes that this process will lead to the normalization of the Company's access to credit lines, with the related benefits thereof for the development of future operating activities.

With regard to the Adjustment Agreement, it was ratified by the Federal Government through Decree No. 1957/06 which was published in the *Official Gazette* on January 8, 2007. This will allow for an increase in the Company's revenues, which will improve the Company's operating indicators.

The Company's Board of Directors has decided to initiate a public offering of part of the Company's capital stock in local and international markets in order to increase financing resources aimed at improving the development of its activities and the rendering of services.

Buenos Aires, February 21, 2007

ALEJANDRO MACFARLANE  
Chairman

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
**EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE  
SOCIEDAD ANONIMA (EDENOR S.A.)**  
Azopardo 1025  
City of Buenos Aires

### **1. Identification of the financial statements subject to the examination**

We have audited the accompanying financial statements of **EMPRESA DISTRIBUIDORA Y COMERCIALIZADORA NORTE SOCIEDAD ANONIMA (EDENOR S.A.)** (the "Company"), which comprise the balance sheet as of December 31, 2006, and the statements of income, changes in shareholders' equity and cash flows for the year then ended, with their notes 1 to 33 (note 2 and 3 describe a summary of significant accounting policies) and supplemental Exhibits A, C, D, E, G and H, thereto.

The financial statements and the supplemental information referred to above are presented for comparative purposes with the financial statements and the supplemental information for the year ended December 31, 2005.

The Company's Board of Directors and Management are responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Argentina, as approved by the Professional Council of Economic Sciences of the City of Buenos Aires. This responsibility includes (i) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to errors or omissions or to irregularities; (ii) selecting and applying appropriate accounting policies, and (iii) making accounting estimates that are reasonable in the circumstances. Our responsibility is to express an opinion on these financial statements based on our audit carried out pursuant to the scope of work outlined in section 2 of this report.

### **2. Scope of the examination**

We conducted our audit in accordance with auditing standards generally accepted in Argentina, as adopted by the Professional Council in Economic Sciences of the City of Buenos Aires. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures, substantially on a test basis, to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to errors or omissions or to irregularities. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's Board of Directors and Management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **3. Explanations prior to our opinion**

- a) As described in Note 32 a), "On January 8, 2007, Decree No. 1957/06, which was signed by the President of Argentina on December 28, 2006, was published in the Official Gazette. Pursuant to such Decree, the Federal Government ratified the Adjustment Agreement for the renegotiation of the concession agreement signed by the Company (Note 23 b). Additionally, on February 5, 2007 the Official Gazette published ENRE Resolution No. 51/2007 which approves the

*Company's new electricity rate schedule that will be effective for electricity consumption beginning as from February 1, 2007".*

- b) Our auditors' report related to the Company's 2005 financial statements was issued on March 7, 2006. Our opinion was subject to the resolution of certain uncertainties which have been solved at the date of this report with the completion of the restructuring of the financial debt, as it is described in Note 14 and the ratification of the Adjustment Agreement, as it is described in Note 32 a).

#### **4. Opinion**

In our opinion, the financial statements referred to in section 1 present fairly, in all material respects, the financial position of EDENOR S.A. as of December 31, 2006, and of the results of its operations, changes in its stockholders' equity and its cash flows for the year then ended, in accordance with accounting principles generally accepted in Argentina, as approved by the Professional Council in Economic Sciences of the City of Buenos Aires.

Our qualified auditors report on the financial statements for the year ended December 31, 2005, whose figures are presented for comparative purposes and relate to those included in the financial statements corresponding to such fiscal year, after giving effect to the reclassification described in note 3 f), was issued on March 7, 2006, subject to the resolution of certain uncertainties described in such report in section Explanations prior to our opinion, which have been solved at the date of this report with the completion of the restructuring of the financial debt, as it is described in Note 14 and the ratification of the Adjustment Agreement, as it is described in Note 32 a).

#### **5. Information required by regulations in force**

(for the fiscal year ended on December 31, 2006)

- a) The data of the financial statements described in section 1 of this report agree with the Company's accounting ledgers, which have been kept in its formal aspects in accordance with legal current regulations.
- b) The financial statements mentioned in section 1 of this report are disclosed in accordance with the regulations of Law 19,550 and General Resolution 434/03 of the Comisión Nacional de Valores (National Securities Commission).
- c) We have no comments to make related to the verification of the security and integrity conditions of the recording accounting system of Edenor S.A., which were approved by the General Inspection of Justice (previous to the entrance of the Company to the offering public regime).
- d) As part of our work, with the scope described in section 2, we have reviewed the supplementary information to the notes to the financial statements and the informative summary prepared by the Board of Directors as requested by the Buenos Aires Stock Exchange and the National Securities Commission, upon which and to the extent of the matters under our responsibility we have no observation to raise.
- e) As per the Company's accounting records, the accrued liabilities as of December 31, 2006 with the National Pension System amounted to pesos 3.883.265, none of which is past due.
- f) In compliance with General Resolution N° 368/01 of the National Securities Commission we inform that during the fiscal year ended December 2006:
  - i. the ratio between the total of auditing professional services rendered by the external auditor for the issuance of the auditors report on the Company's financial statements and other special reports and certifications related to accounting or financial information billed to the Company and the total billing to the Company for all concepts, including those auditing services amounts to 98,55%,

- ii. the ratio between the total of such auditing professional services billed to the Company and the total of the abovementioned auditing services billed to the Company, its parent and affiliated Companies amounts to 95,40%, and
- iii. the ratio between the total of such auditing professional services billed to the Company and the total billing to the Company, its parent and affiliated Companies for all concepts amounts to 94%.

**6. Financial statement translation into English language**

*As it is explained in Note 33, “These financial statements are presented in conformity with generally accepted accounting principles in Argentina. The effect of the differences between accounting principles generally accepted in Argentina and the accounting principles generally accepted in the countries in which the accompanying financial statements are to be used has not been quantified.*

*Accordingly, it must be taken into consideration that these financial statements are not intended to present the position of the Company, or the results of its operations, changes in shareholders’ equity and cash flows in conformity with accounting principles of the countries of users of the financial statements other than Argentina.*

*The translation into English of these financial statements has been made solely for the convenience of English speaking-readers”.*

City of Buenos Aires, February 21, 2007.

**DELOITTE & Co. S.R.L.**

**Daniel H. Recanatini**  
**(Partner)**