



Pampa Energía

2008 Annual Report



Energy that becomes energy

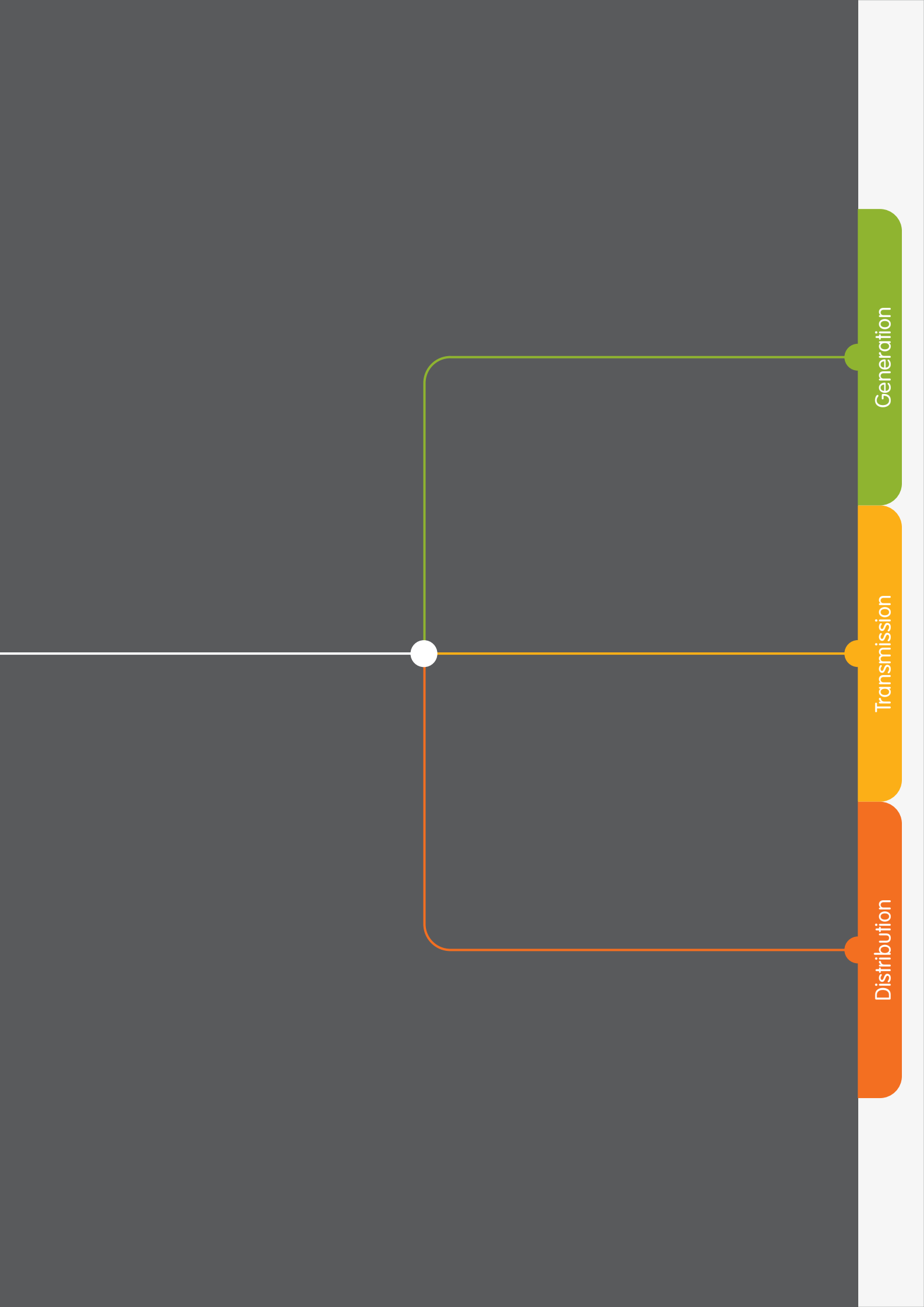


Pampa Energía

2008 Annual Report



The largest integrated electricity company in Argentina



Generation

Transmission

Distribution

● CREATE

Pampa Generación

It generates 8% of the total electricity in Argentina and the current installed capacity of its five power plants amounts to 2000MW.



Distribution

Transmission

Generation



TRANSMIT



It transports 95% of the total electricity in Argentina through its national network of extra high voltage power transmission, which consists of 16,263 km of transmission lines.



Transmission

Distribution



REACH

 **Edenor**

It distributes electricity to more than 2,500,000 customers including residential, commercial and corporate customers.



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2008 ANNUAL REPORT

To the Shareholders of Pampa Energía S.A. (“Pampa” or “the Company”):

In accordance with statutory and by-laws provisions currently in force, we submit to your consideration the Annual Report and the Financial Statements as of December 31, 2008 and for our sixty-fifth fiscal year then-ended.

1. Our Goal and Strategy

Our deepest aspiration is to become Argentina's leading energy company, in terms of market share, operational excellence and profitability. In the course of fiscal year 2008, and with our electricity generation assets having been integrated into a centralized service unit, we focused our efforts to:

- **Position the Company as the leader in the supply of Energía Plus.** In September 2008 we completed the expansion of Central Térmica Güemes' installed capacity through the installation of a 100MW General Electric LMS-100 turbine. This expansion required a total investment of US\$69 million. It is important to note that during 2008 this capacity was fully commercialized at an average price of over US\$60 per MWh and now Pampa is the company with the highest volume of Energía Plus contracts sold in the market.
- **Raise our administrative and control standards.** To attain this goal, in the course of the fiscal year we implemented the SAP system in all our electricity generation subsidiaries in record time and with an ambitious scope. Thanks to the implementation of this project, the Company now has in place administrative procedures common to many of its areas and improved operations control, which raises the Company's standards to international levels. In this respect, the implementation of SAP laid down the foundations for orderly management geared towards compliance with international standards (SOX).
- **Finance new expansions of our installed generation capacity.** On September 8, 2008 we issued bonds, through our subsidiary Central Térmica Loma de la Lata, for US\$178 million maturing in 2015 whose proceeds shall be applied to financing the works required to expand capacity at Central Térmica Loma de la Lata, in the Province of Neuquén. The project consists in converting such thermal station to a combined cycle station through a steam turbine and three recovery boilers which shall result in a 178 MW increase in its current capacity and require an investment of approximately US\$205 million.
- **Increase our interests in energy assets by repurchasing shares.** As a consequence of the international financial crisis which had an adverse impact on the price of our shares and as a part of our strategy to focus on energy assets and to dispose of non-strategic assets, in 2008 we began a process to repurchase our own shares. As of December 31, 2008, we had repurchased 8.3% of our capital stock at an average price of AR\$0.96 per share, which in the aggregate amounted to AR\$120.8 million. Moreover, during 2009 we continued with the repurchases of shares, which as of March 6 amounted to an additional 4.7% of Pampa's capital stock, at an average price of AR\$0.98 per share, which totals AR\$70.5 million.
- **Take advantage of current financial markets conditions to repurchase our debt at a discount.** During 2008, and due to the drop in the value of the notes of our subsidiaries, Pampa and its subsidiaries have repurchased bonds of Edenor, EASA, Transener and Central Térmica Güemes as of December 31, 2008 for a total amount in nominal value of US\$127.2 million at an average price equivalent to 55% of nominal value. Besides, in the period starting January 1, 2009 and ending March 6, 2009, Pampa and its subsidiaries have repurchased a total of US\$79.3 million in nominal value of bonds of those companies at an average price of 46%.
- **Continue developing of one of the most experienced management teams in the electricity sector,** thanks to the recruitment of professionals who are highly renowned in the industry.

Looking forward, our strategy focuses on:

- **Developing new Generation to take advantage of the benefits of the Energía Plus program.** We have selected our generation assets based on their potential to expand its installed capacity so that we can increase our market share.
- **Improving our operating efficiency.** A major portion of our resources is devoted to improving efficiency through the containment of costs associated to failures in our transmission segment, the improvement of service quality and the reduction of losses in the distribution segment. We are optimizing our commercial, administrative and technical resources, which are shared with our generation segment, and we are also reaping the benefits of synergies amongst our various businesses.
- **Taking advantage of improvements in tariff schemes.** We continue negotiating the recomposition of the tariff structures in our distribution and transmission segments and working for the recognition of the costs and margins related to our generation assets.
- **Identifying and developing new opportunities in the electricity and energy sectors.** Given our expertise and leadership in the Argentine electricity sector, we believe that we are in a favorable position to pursue new opportunities in those sectors.
- **Optimizing our capital structure.** Within the new financial and economic environment at the local and international levels, we continue to seek the financial resources that will contribute to optimize our capital structure and allow us to make new investments in the energy sector.

2. Corporate Governance

In Pampa we believe that the best way of retaining and protecting our investors is to adopt and implement the best corporate governance practices which enable us to consolidate our position as **one of the most transparent and reliable companies in the market.**

In this sense, we work at all times to incorporate these practices taking into account the international market trends and the local and international regulations in force which are applicable in terms of corporate governance.

The Board of Directors

The power to adopt decisions in the Company is vested in the Board of Directors. The Board of Directors is composed of nine directors and seven alternate directors, of whom three directors and one alternate director are independent. All our directors are elected for a term of three years and can be successively reelected, except for our independent directors, who cannot be reelected for successive terms.

An internal control system has been set up according to the delegation of administration and arrangement powers for directors and senior managers, in accordance with differentiated authority degrees.

The directors who perform executive functions are entitled to a compensation that must be approved by the Audit Committee, and they are required to sign exclusivity and non-competition agreements and to be holders of 45 million shares of the Company in order to exercise the warrants ("Warrants") granted to them. These provisions are designed to ensure a strong alignment of interests of our management with those of the rest of Pampa's shareholders.

However, it is important to highlight that due to the international financial crisis which had a negative impact on the market value of Pampa's shares, as of December 31, 2008 the average exercise price of warrants granted to executive officers was 130% above the market value of our shares.

At present, the composition of Pampa's Board of Directors is as follows:

Name	Position	Independence
Marcos Marcelo Mindlin	Chairman	Non Independent
Gustavo Mariani	Vice-Chairman	Non Independent
Damián Miguel Mindlin	Director	Non Independent
Ricardo Alejandro Torres	Director	Non Independent
Diego Martín Salaverri	Director	Non Independent
Brian Henderson	Director	Non Independent
Diana Mondino	Director	Independent
Miguel Kiguel	Director	Independent
Alfredo Mac Laughlin	Director	Independent
Pablo Diaz	Alternate Director	Non Independent
Alejandro Mindlin	Alternate Director	Non Independent
Roberto Luis Maestretti	Alternate Director	Non Independent
Rogelio Pagano	Alternate Director	Non Independent
Javier Douer	Alternate Director	Non Independent
Gabriel Cohen	Alternate Director	Non Independent
Carlos Tovagliari	Alternate Director	Independent

Corporate Governance

Executive Officers

The table below offers certain information concerning our executive officers:

Name	Position	Year of Appointment
Marcos Marcelo Mindlin	President	2006
Ricardo Alejandro Torres	Vice Presidente and General Manager	2005
Damián Miguel Mindlin	Vice Presidente and Investment Portfolio Manager	2006
Gustavo Mariani	Vice Presidente and Business Development Manager	2006
Brian Henderson	Engineering and Technical Operations Manager	2007
Roberto Luis Maestretti	Finance and Administrative Manager	2007
Gabriel Cohen	Corporate Finance Manager	2007
Rubén Turienzo	Generation Commercial Manager	2007
Horacio Jorge Tomás Turri	New Business Development Manager	2008
Sergio Marcelo Fernandez	Generation Production Officer	2008

The following table contains certain information concerning delegate officers who render services for the Company:

Name	Position	Year of Appointment
Brian Henderson	Delegate Director in Transener	1997
Alejandro Mac Farlane	Delegate President in Edenor	2005
Rogelio Pagano	Delegate Director in Edenor	2005
Gabriel Cohen	Delegate Director in Transener	2007
Dante Apaza	Delegate Vice-President in Central Térmica Güemes	2007

Supervisory Committee

Pursuant to our by-laws, the supervision of the Company is vested in a Supervisory Committee composed of three members and three alternate members appointed by our shareholders. The members of the Supervisory Committee must be lawyers or chartered accountants and serve for a term of three fiscal years.

The primary responsibility of the Supervisory Committee is to monitor the Board of Directors' compliance with the Business Corporate Law, the bylaws, its regulations, if any, and the shareholders' resolutions. In performing these functions, the Supervisory Committee does not control our operations or assess the merits of the decisions made by the directors.

The Supervisory Committee is integrated as follows:

Name	Position
José Daniel Abelovich	President and Statutory Auditor
Javier Errecondo	Vice President and Statutory Auditor
Damián Burgio	Statutory Auditor
Marcelo Héctor Fuxman	Alternate Statutory Auditor
Baruki Luis Alberto Gonzalez	Alternate Statutory Auditor
Saturnino Jorge Funes	Alternate Statutory Auditor

Audit Committee

The Audit Committee's charter, approved at the Company's Shareholders Meeting held on June 16, 2006, provides that the Audit Committee shall be comprised of four members, three of whom must be independent. The Audit Committee's members must have professional experience in finance, accounting, law or management.

The Audit Committee is responsible for the performance of the duties set forth in the Public Offering Transparency Regulations, which include, among other things, the following:

- Approving transactions with related parties and delivering a founded opinion whenever there is an actual or apparent conflict of interest in the Company, providing the market with complete information regarding such transactions.
- Nominating two independent candidates for the election by the Shareholders' Meeting of the directors who shall be members of the Audit Committee and advise the Board of Directors on such nomination.
- Approving proposals for the compensation of the Company's directors, for the Board of Directors to submit them to consideration by the Shareholders' Meeting.
- Approving the remuneration of top executive officers.
- Delivering an opinion on the performance of the Opportunities Assignment Agreement.
- Delivering an opinion about the proposal presented by the Board of Directors for the appointment of the external auditors to be hired by the Company and overseeing independence-related issues.

The non-independent directors of the Audit Committee shall refrain from participating, deliberating and voting on matters in connection with related party transactions, the nomination of independent directors and the remuneration of our directors and executive officers.

At present, the composition of Pampa's Audit Committee is as follows:

Name	Position	Independence
Diana Mondino	President	Independent
Miguel Kiguel	Member	Independent
Damián Miguel Mindlin	Member	Non Independent
Alfredo Mac Laughlin	Member	Independent
Carlos Tovagliari	Alternate Member	Independent

Protection of Minority Shareholders

In relation to the protection of Pampa's minority shareholders, the Company's bylaws contain significant safeguards, including:

- Only one kind of shares of stock, carrying the same economic and shareholder rights.
- Obligation to offer to all our shareholders the opportunity to sell their shares to any shareholder who acquires a 35% interest in the outstanding capital (unless the acquirer already held or controlled such share percentage) at a price per share not lower than the value determined by a leading investment bank or at 135% of the value in dollars of any issue of shares made during the last 24 months or at 135% of the average listing price of the shares during the 120-day period preceding the offer.
- Obligation to offer to all the shareholders the opportunity to sell their shares to any shareholder who acquires a controlling interest (unless the acquirer already held or controlled such share percentage) at a price per share not lower than the value determined by a leading investment bank or at 135% of the value in dollars of any issue of shares made during the last 24 months or at 135% of the average listing price of the shares during the 120-day period preceding the offer or the highest price per share paid by the Offeror during the last two years.
- Special majorities of up to 67% of the votes required for amending any clauses of the bylaws, such as those regarding the Tender Offer and the Audit Committee's charter.

Corporate Governance

Code of Best Practices

The Code of Best Practices has been implemented to prevent the occurrence of insider trading practices by the Company's employees, which consist in the use of material non-public information to obtain an advantage for themselves or third parties, either directly or indirectly.

This code is applicable to all the personnel of Pampa, including its directors, Supervisory Committee members, and senior management, and extends to their relatives and other persons that live with them, as well as certain suppliers of the Company.

Business Conduct Code

The Company has a Business Conduct Code which lays down the ethical principles that are the pillars of the relationships between Pampa, its employees and suppliers, and provides means and instruments that ensure transparency in the handling of matters and issues that may affect the adequate management of Pampa.

Measures Adopted During 2008

During 2008, the Company worked towards the adoption and implementation of the following policies and practices:

• Self-Assessment Questionnaire for the Board of Directors

Following the recommendations included in General Resolution No. 516/2007 issued by the Argentine National Securities Commission, Pampa's Board of Directors approved the implementation of a self-assessment questionnaire, which will enable it to annually analyze and assess its own performance and management.

The Company's Corporate Law Department is responsible for the analysis and filing of the questionnaire, which will be answered individually by each member of the Board of Directors, and, based on the results, it shall put forward to Pampa's Board of Directors all the measures it deems appropriate in order to improve the performance of the Board of Directors' duties.

• Internal Policy on Actions with Related Parties

In accordance with the provisions of this policy, all operations involving a substantial amount carried out by Pampa with any individual and/or legal entity who, according to the provisions of the regulations in force, is considered a "related party" shall be subject to a prior and specific authorization and control procedure which is implemented under the supervision of the company's Department of Corporate Law and involves both the Company's Board of Directors and the Audit Committee (as applicable).

3. Our Shareholders / Stock Price Development

As of December 31, 2008, Pampa's **outstanding capital stock consisted of 1,526,194,242** common shares of one peso par value per share. The following table contains information on the ownership of Pampa's common shares as of such date:

Name	Number of Shares	Percentage of Capital	Percentage of Votes
Control Group	294,470,140	19.29%	21.04%
Repurchased Shares	126,426,196	8.28%	0.00%
Public Float	1,105,297,906	72.43%	78.96%
Total	1,526,194,242	100.00%	100.00%

Note: it does not contemplate the warrants issued in favor of Pampa's executives. The controlling group includes the interests held by DOF Distribution LLC, Pampa Holdings LLC, Dolphin Fund Management S.A., Dolphin Créditos S.A., Dolphin Inversora S.A., Marcos Marcelo Mindlin, Damián Miguel Mindlin, Gustavo Mariani, and Ricardo Alejandro Torres.

Pampa is listed on the Buenos Aires Stock Exchange (BCBA) and has a GDS program (1 Global Depository Share = 25 shares) admitted for listing in the Luxembourg Stock Exchange and for trading in the Euro MTF Market.

On December 19, 2008, Standard & Poor's International Ratings LLC, Argentine Branch, maintained its "Global 2 Rating" assigned to Pampa's shares, based on its "Regular" capacity to generate income and "High" liquidity. This rating allows Argentine institutional investors to hold shares in Pampa.

The following chart shows the development of the price per share and traded volume in the BCBA from January 2006 to December 31, 2008:



* Price adjusted by preemptive subscription rights.

4. Macroeconomic Context

Growth

Compared to recent years, 2008 has seen GDP grow less, by 7%. The Industrial Monthly Estimate put together by Argentina's official statistics bureau, INDEC, showed negative values for the first and fourth quarters (-0.3% for both periods) in the comparison of the year-on-year quarterly values without seasonality for 2008 and those for 2007. The main reasons for these negative values were the conflict between the Government and farmers in early 2008 and the international financial crisis unleashed in late 2008.

In turn, the estimates prepared by private sector consultants point to 2.6% growth in industrial activity for 2008, though with a fourth quarter that takes a 6.6% downturn and with a plunge in December equivalent to 8.6%. In addition, the agribusiness activities that took the hit of the drop in the prices of commodities is going through the worst drought in recent years, which entails a serious threat for a country that is highly dependent upon its agriculture and farming activities.

Towards the end of the year the Argentine Government released a series of measures aimed at counteracting the fall in the level of economic activity, such as amnesty for repatriation of flight capitals, extensions in the terms to pay overdue taxes and social security duties, reductions in payroll tax rates for companies that increase their headcounts, creation of the Ministry of Production, public works, consumer loans for the acquisition of durable goods and loans to finance exports and working capitals for industrial companies and agricultural and livestock undertakings that do not reduce their headcounts.

The effects of these measures depends upon the Government's ability to fund them without reducing the amount of funding earmarked for other activities and on the degree of confidence that they might generate in their addressees.

Inflation

According to INDEC, in the year 2008 the consumer price index, general level, grew by 7.2%. Private consultants, instead, estimate that inflation for the year ranged from 20% to 30% and opinion polls revealed that as perceived by the public, inflation was in the region of 30%. The strategy deployed by Government officials to combat inflation continued to revolve around micro-economic matters, as had also been the case in the past years: price agreements, government intervention in some markets and restrictions on exports of certain products considered as strategic were some of the instruments employed as of to date to contain price increases.

Fiscal situation

The Government's accounts continued to post primary and financial surpluses, estimated at 3.5% and 1.9% of GDP respectively. In terms of tax revenues, the fiscal situation continues to reflect the sustained growth of revenues from taxes on foreign trade, which rose from 13% of revenues in 2004 to 19% of revenues in 2008 and representative of the increase in the international prices of agricultural commodities and the increase in the withholding percentage applied on them.

Now, as for VAT, a tax that rapidly captures oscillations in the level of activity and which stands for 30% of tax revenues, it grew by 28% compared to 2007. However, in the year-on-year comparison for November, it grew by 16% and in December by 4%.

Financial System

During the first quarter of 2008, the Central Bank of Argentina posted its maximum level of international reserves, at around US\$ 50 billion. Later on, the face-off between the Government and the farmers, the global financial crisis and the nationalization of the pension funds sowed the seeds of fear in economic agents who took shelter in the conversion of their portfolios into US Dollars and withdrew funds from the financial system. Within this context, international reserves came to the close of the year at a level of US\$ 46.4 billion.

The level of international reserves at the close of 2008 was similar to the level at the close of 2007 with a trade balance of US\$ 13,176 million, indicative of the fact that the revenues from this source have left the system by way of the conversion into US Dollars of the portfolios mentioned.

In a comparison of these variables to those of the previous year, in 2007 the reserves held at the Central Bank rose from US\$ 32 billion to US\$ 46.2 billion.

In early September, the Executive Branch announced that it would repay in full the amounts owed to the Paris Club, totaling US\$ 6.7 billion, for which purpose it intended to use the reserves held at the Central Bank emphasizing that such decision was proof of willingness and capacity to honor commitments. Before long, when news of the melt-down in international markets widespread, this decision was left behind as the priority application of the Central Bank reserves was to back up the Argentine Peso/US Dollar exchange rate in the face of investors favoring US Dollars.

Outlook for 2009

Within this global context, Argentina faces a number of adverse conditions, such as recession in the central economies, deceleration in the emerging economies, the ensuing decline in international trade and investors' preference for assets considered less risky.

Locally, there are challenges in the political arena because of the coming legislative elections, threats of renewed conflicts with farmers due to their loss of profitability, trade unions pressing for keeping jobs and catching up with inflation through salary raises and a stringent schedule of payments of the public debt.

In turn, the mechanism for counteracting adversities that the Government had found in the surpluses of the trade balance for 2008 will no longer be as effective because of the decrease in the prices of commodities and the deeper devaluations undertaken in neighboring countries.

As for the Government's accounts, tax revenues are expected to be lower than those for the previous fiscal year due to the decline in exports and the downturn in domestic activity. Given this context, there is a likelihood that price increases continue in public utilities in order for the Government to cut back the subsidies it grants to these sectors. However, inflationary expectations have somewhat lessened compared to the situation in mid 2007.

As regards the scenario expected for 2009, there is consensus surrounding the expected GDP growth, which has been estimated to grow from 1% to 2%.

To sum up, given the current economic and political context, if the international financial and economic crisis were to deepen, the Argentine economy's main indices could be adversely affected as well.

5. The Argentine Electricity Market

5.1 | Generation

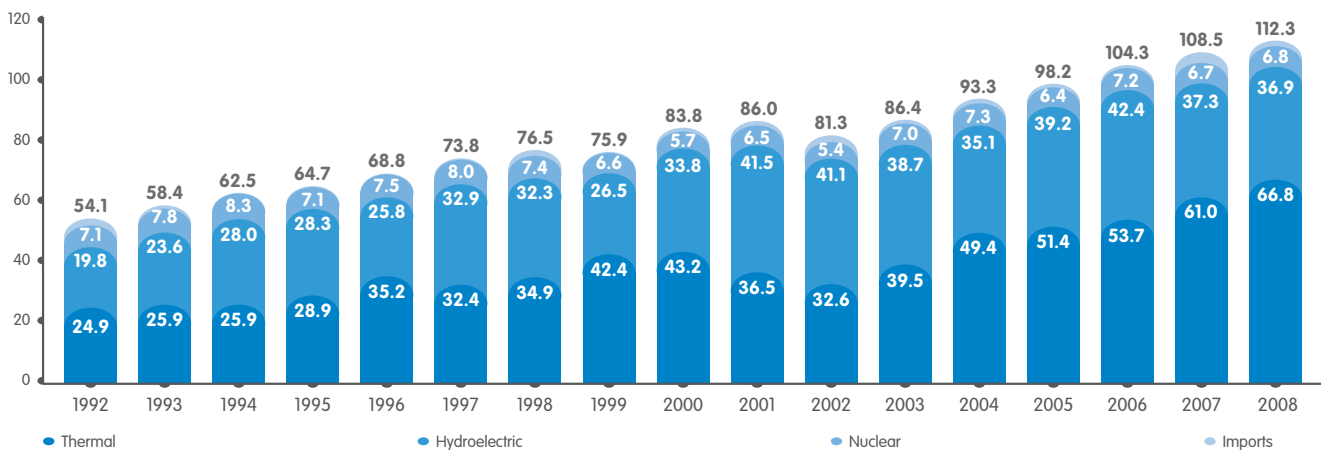
Demand and Supply

In the course of 2008, the demand for electricity continued on the rise, though more modestly than in previous years. The total demand for electricity rose by 3.5% compared to 2007 due to domestic demand rising by 2.7% compared to 2007 and to export demand rising by more than 100% compared also to 2007. The volume of electricity demanded in 2008 stood at 112,313 GWh, with thermal generation being the main resource for meeting this demand, as it contributes energy volumes equivalent to 66,840 GWh (59.5%), followed by hydroelectricity, which contributed 36,863 GWh (32.8%), nuclear, which contributed 6,835 GWh (6.1%) and finally imports for 1,775 GWh (1.6%).

The generation of hydroelectricity was 1% below the figure posted for 2007 and 14% below that posted for 2006 basically due to the need for reserving generation capacity and to the scarcity of water flows in some of the main hydrological basins, particularly in Comahue. At this juncture, the need arose for resorting to thermal generation as the main source of electricity supply and therefore, to the use not only of natural gas but also of liquid fuels (gas oil and fuel oil) and to mineral coal during almost the whole year.

The following chart illustrates electricity generation by source (thermal, hydraulic, nuclear and imports):

ELECTRICITY GENERATION BY SOURCE (thousands of GWh)



Source: CAMMESA.

Note: includes WEM and Patagonian WEM System.

The maximum power peak was posted on June 23, 2008, with demand for 19,126 MW, which surpassed all the figures recorded in previous years.

Maximum Power Peak Records

	Winter 2006	Summer 2007	Winter 2007	Summer 2008	Winter 2008
Capacity (MW)	17,395	17,881	18,345	17,930	19,126
Date	07/31/2006	04/18/2007	06/14/2007	02/20/2008	06/23/2008
Temperature (°C)	5.95	24.80	10.00	28.10	8.40
Time	20:00	19:47	19:56	22:01	19:37

The Program for Rational Electricity Usage (Programa de Uso Racional de la Energía Eléctrica ("PUREE")) continued to be in force during 2008. In addition to this measure, a daylight saving scheme entailing two time zone changes was implemented in order to reduce the consumption of electricity. However, these measures were not as effective as expected.

The aggregate of generation resources saw in 2008 an increase in installed capacity against 2007 equivalent to 1,895 MW, and reaching a total of 26,225 MW. All the increases in installed capacity are due to thermal generation. Within the additions of new capacity during 2008, the most important were the works covered by the Fund for Necessary Investments to Increase the Supply of Electricity in the WEM (FON-INMEM) for commissioning the new power stations Gral. Belgrano (in Campana, Province of Buenos Aires) and Gral. San Martín (in Timbúes, in the Province of Santa Fe) and the start-up of the new General Electric LMS-100 turbine with 100 MW installed capacity by our subsidiary Central Térmica Güemes in Salta.

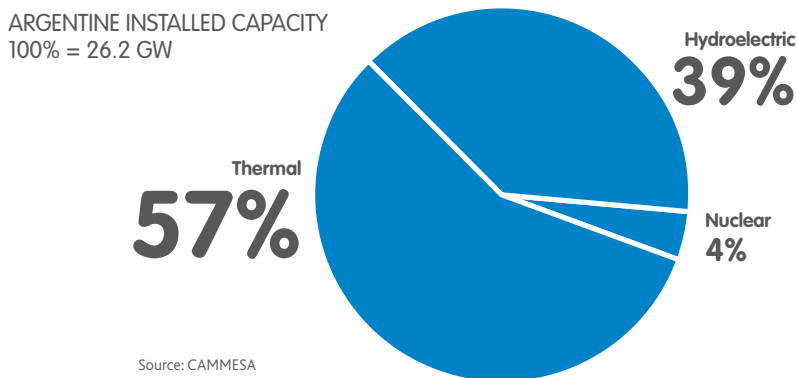
The following chart details the addition of new units during 2008:

	Company	Type	Location	Installed Capacity (MW)
January	ENARSA	GT	Pinamar	20
February	ENARSA	DIESEL	Castelli	15
March				
April	C.T BELGRANO	GT	Bs. As.	286
	ENARSA	DIESEL	Junín	22
May	TERMOANDES	GT	Salta	208
	TERMOANDES	ST	Salta	-110
	ENARSA	DIESEL	Isla Verde	25
June	C.T BELGRANO	GT	Bs. As.	286
	T.G. SAN MARTIN	GT	Timbúes	280
	ENARSA	DIESEL	La Rioja	10
	ENARSA	DIESEL	Catamarca	5
July	ENARSA	DIESEL	Añatuya	11
August	TERMOANDES	GT	Salta	203
	T.G. SAN MARTIN	GT	Timbúes	273
	ENARSA	DIESEL	Pirané	15
	ENARSA	DIESEL	Santa Rosa	3
September	C.T GÜEMES	GT	Salta	100
	ENARSA	DIESEL	Formosa	15
October	ALBANESI	GT	Córdoba	60
	ENARSA	DIESEL	Añatuya	9
	ENARSA	DIESEL	Saenz Peña	20
November	ALBANESI	GT	Córdoba	60
	ENARSA	GT	Matheu	40
	ENARSA	DIESEL	La Plata	20
December	ENARSA	DIESEL	Venado Tuerto	19
Total				1,895

Source CAMMESA.

The Argentine Electricity Market

The following chart illustrates the structure of the Argentine installed capacity:



The Price of Electricity

In the course of 2008 the authorities responsible for the energy sector have continued with the policy adopted in 2003 and consisting in having the spot price at the Wholesale Electricity Market (WEM) determined on the basis of the natural gas cost as declared by the gas-fed power stations, even if these cannot avail themselves of gas (Resolution SE No. 240/03). Therefore, this price, as recognized, is not calculated as the marginal cost of the last power station dispatched. Rather, the assumption used is that gas is freely available and therefore, the spot price as recognized is equal to the marginal cost of the last gas-fed power station dispatched, even if it does not have gas availability. Therefore, when the power station dispatched last is, say, fuel-oil-fed, said cut-off price is not granted recognition in favor of the remaining power stations dispatched, rather, they are granted recognition for the cost that would have resulted from the availability of natural gas instead of the cost incurred with the use of fuel-oil.

As was also the case in 2007 and despite the fact that the Under-Secretariat of Fuels continued to apply the IAP Program (Resolution SE No. 659/04) which translated into growing gas volumes being re-channeled towards electricity generation, the supply of gas continued to be insufficient for meeting electricity generation needs. Consequently, in 2008 the use of liquid fuels in the generation of electricity rose, with 2008 becoming the year posting the highest consumption of gas oil and fuel oil in the history of the Argentine electricity sector (7 18.000 tn and 2.3 million tn, respectively). This caused an increase in the costs to produce energy, fueled in turn by the increase in oil prices which in 2008 posted its maximum nominal value in the international market.

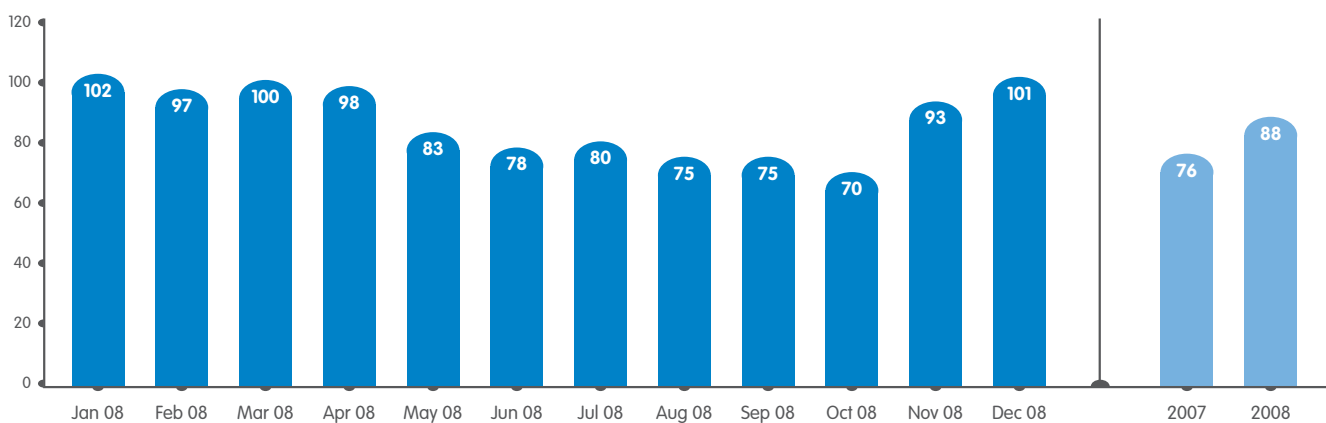
As regards the amounts paid in exchange for generation capacity, the regulatory framework currently in force continues to be the same as enacted in 2002 which limits the establishment of the short-term marginal cost and freezes the compensation for the power made available at AR\$ 12.

Additionally, the amounts paid in exchange for the energy generated through fuel oil and financed by generators was subject to regulatory changes, with the price paid for purchasing national fuel oil being added a further 10% as financial and administrative charges with a maximum regulated price of US\$60.5 /bbl.

The performance of prices in the WEM

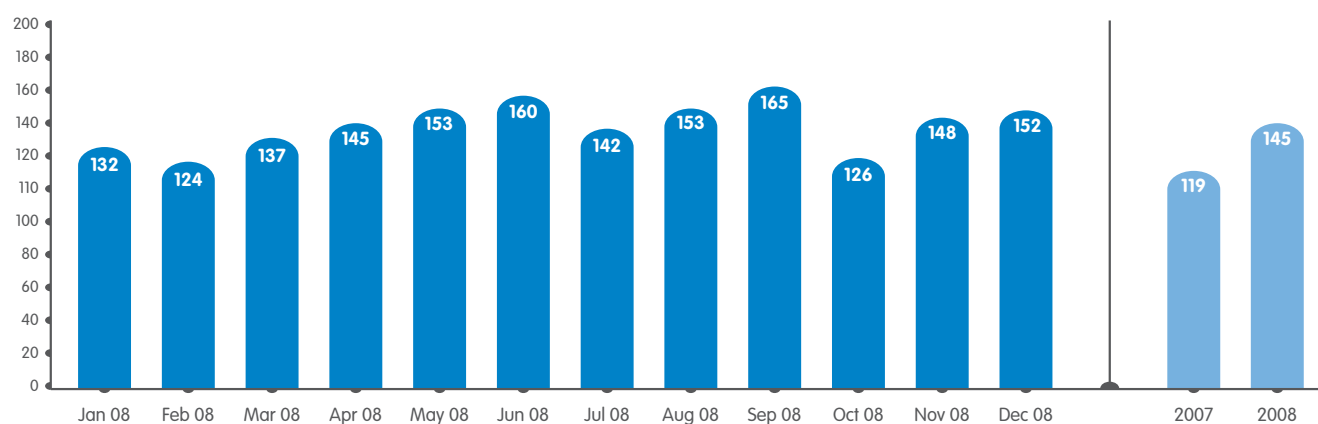
The following chart illustrates the monthly average price of energy as paid to electricity generation companies:

MONTHLY AVERAGE PRICE OF ELECTRICITY IN THE SPOT MARKET (AR\$/MWh)



Besides, the following chart shows the monthly average price that all the users of the electrical system should have to pay for the system to at least break even. Said cost includes, in addition to the price of energy, the charges for power, the actual cost of generation based on liquid fuels such as fuel oil or gas oil and other minor components.

MONTHLY AVERAGE MONOMIC COST (AR\$/MWh)



Source: CAMMESA

It is important to bear in mind that the Secretariat of Energy, pursuant to its Resolution No. 1,169/08, established new seasonal energy prices (those paid by residential, commercial and industrial users to electricity distributors) starting on November 1, 2008 as per the type and level of consumption. The increase represents an average 18.2% adjustment and it is geared towards cutting back the subsidies granted by the National Government to the generation of electricity (it does not imply an increase in Edenor's or in any of the remaining distributors' Distribution Value Added or VAD).

For the residential segment, the new prices for the energy consumed are higher for demands in excess of 1,000 kWh every two months, whereas residential users with demands below the 1,000 kWh/bi-monthly mark will see no difference in the final tariff.

This means that a higher proportion of the cost increases required to produce the electricity being consumed can be now passed on to prices, which shall in turn help reduce in the year 2009 the losses sustained by the Stabilization Fund managed by Compañía Administradora del Mercado Mayorista Eléctrico S.A. (CAMMESA) and the subsidies granted by the Argentine Government to ensure that the various Wholesale Electricity Market agents have their claims met.

Prices paid by distributors' users (AR\$ / MWh)

Type of User	Before Adjustment (AR\$ / MWh)	Current (AR\$ / MWh)	% of Adjustment
Residential 0-1,000 kWh/bimonthly	31	31	0%
Residential 1,001-1,400 kWh/bimonthly	31	61	97%
Residential 1,401-2,800 kWh/bimonthly	31	90	190%
Residential + 2,800 kWh/bimonthly	31	150	384%
Commercial Small/Medium	61	61	0%
Commercial Large	61	70	15%
Public Lightning	38	38	0%
Industrial 0-300kw	70	70	0%
Industrial + 300kw	70	100	43%

Source: Secretariat of Energy.

5.2 | Distribution

Tariff Situation at Edenor

Law No. 25,561, the so-called "Economic Emergency Law" enacted on January 6, 2002, continued in force throughout 2008. It was pursuant to this law that all the clauses for adjustment in US Dollars and the indexation clauses stipulated in Edenor's Concession Agreement were rendered ineffective.

On July 25, 2008, ENRE issued its Resolution No. 797/08 which set forth that the discount provided under Section 5 of Exhibit I to the Resolution SE No. 745/05 corresponding to the Program for Rational Electricity Usage must be applied in all residential supply points whose consumption as recorded does not exceed 1,000 KWh/bi-monthly period.

On July 30, 2008, the Secretariat of Energy established that February 2009 would be the month of coming into force of the tariff schedule resulting from the Full Tariff Review.

On July 31, 2008, pursuant to its Resolution No. 324/2008, ENRE set forth the new tariff schedule to be applied by Edenor as from July 1, 2008. This Tariff Schedule reflects an increase in the VAD resulting from the application of the Cost Monitoring Mechanism for the period May 2006 through April 2007 (9.63%) and the Cost Monitoring Mechanism for the period May 2007 through to October 2007 (7.55%). The impact of this resolution on average and as reflected by the electricity bills has been as follows: for the Residential category, users with consumption equal to or less than 650 kWh shall see no increase; for users with bi-monthly consumptions in excess of 650 kWh/bi-monthly periods and less than or equal to 800 kWh, the average increase is 10%; for users with bi-monthly consumptions in excess of 800 kWh and equal to or less than 900 kWh, the average increase is 15%; for users with bi-monthly consumptions in excess of 900 kWh/bi-monthly period and equal to or less than 1,000 kWh the average increase is 20%; for users with bi-monthly consumptions in excess of 1,000 kWh/bi-monthly period and equal to or less than 1,200 kWh the average increase is 25%; and for users with bi-monthly consumptions in excess of 1,200 kWh the average increase is 30%. For users in the categories T1G, T2 and T3 the average increase is 10%.

ENRE's Resolution No. 467/08 was issued on September 17, 2008 to approve the program for the Full Tariff Review. This resolution also set forth the methodological basis for submission of the tariff proposal and that the Technical Unit for the Tariff Review should be in charge of requesting supplementary information from universities and distributors.

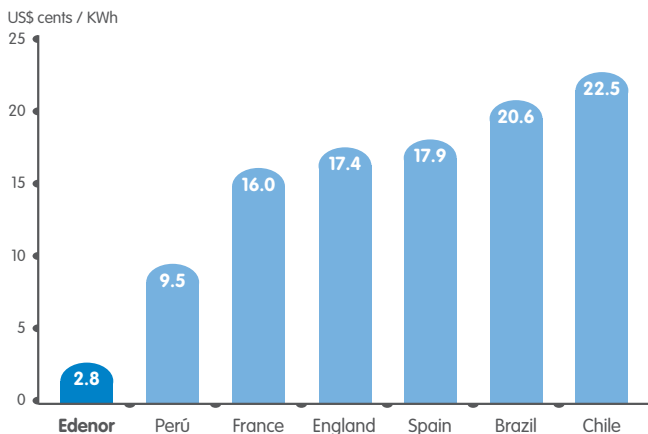
On October 31, 2008, the Secretariat of Energy issued its Resolution SE No. 1170/08 to repeal the application of discounts to all the T1G, T2 and T3 users in the framework of the Program for Rational Electricity Usage.

On November 19, 2008, through its Resolution No. 628/08 ENRE laid down the new tariff schedule to be applied by Edenor starting on October 1, 2008 because the Secretariat of Energy modified the seasonal prices of energy, as we have already described in Section 5.1 of this Annual Report.

On November 26, 2008, pursuant to Note SSEE No. 1383/08, the Under-Secretariat of Electricity imparted instructions so that the balances held in the framework of the Program for Rational Electricity Usage should be applied to the coverage of the amounts resulting from the application of the Cost Monitoring Mechanism until governmental authorization is granted to actually pass them on to tariffs.

EDENOR'S RESIDENTIAL TARIFF: COMPARISON WITH THE INTERNATIONAL MARKET

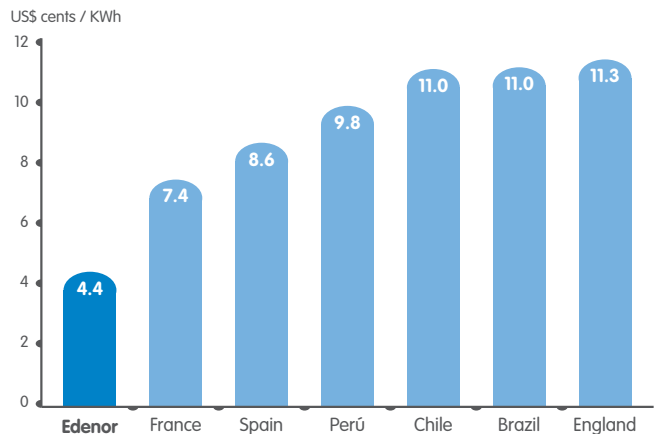
Assuming consumption of 275 KWh/month



Note: Edenor's tariffs for December 2008. These values include all taxes.
Source: Edenor.

EDENOR'S INDUSTRIAL TARIFF: COMPARISON WITH THE INTERNATIONAL MARKET

Assuming consumption of 1,095 MWh/month and maximum demand equivalent to 2.5 MW at Medium Voltage

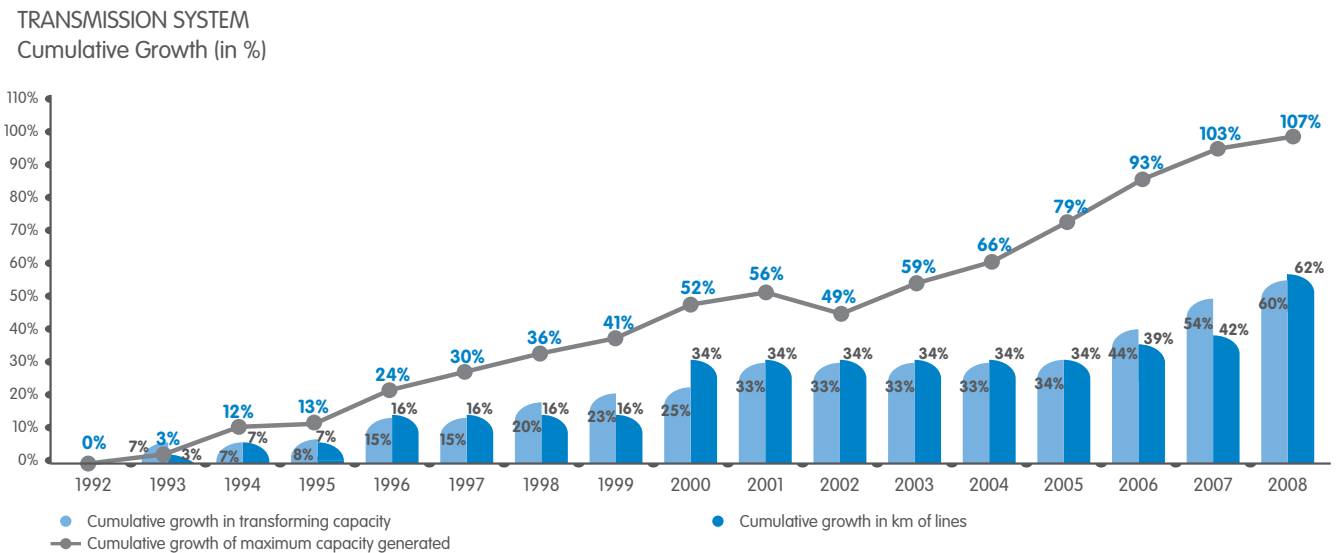


Note: Edenor's tariffs for December 2008. These values include all taxes except for VAT.
Source: Edenor.

5.3 | Transmission

Growth of the high-voltage transmission system

The following chart shows the cumulative growth in transforming capacity and the cumulative growth in the number of kilometers of the high-voltage transmission system lines, in contrast to the percentage cumulative growth in maximum demand since 1992.



As illustrated in the preceding chart, the High-Voltage Transmission System has grown significantly as from 2005, mainly due to the implementation of the 500 kV Transmission Federal Plan. The implementation of the Federal Plan has endowed Argentina's National Interconnected System with increased stability and reliability and improved conditions for meeting the rising demand.

Transener's Tariff Situation

In the framework of the re-negotiation of the Public Utilities agreements, in May 2005 Transener and Transba signed with UNIREN the Letters of Understanding that lay down the terms and conditions for the adjustment of the Concession Agreements, which were ratified by the Decrees of the Executive Branch No. 1,462/05 and 1,460/05 on November 28, 2005.

According to the provisions agreed in the Letters of Understanding, a Full Tariff Review was expected to take place including the determination of a new tariff regime for Transener and Transba. However, the summons to the Public Hearing to debate the tariff proposals presented by both Companies was suspended by ENRE already in January 2006, a suspension that is still in force although such tariff changes should have come into force for Transener and Transba in February 2006 and May 2006, respectively.

In this respect, on December 26, 2006, Transener stated before the ENRE the need for regularizing compliance with the provisions agreed in the Letter of Understanding as well as Transener's willingness to continue with the Full Tariff Review during 2007 to the extent the remaining duties assumed by the Parties are complied with and the new regime arising from the Full Tariff Review comes into force as from February 1, 2008. In turn, on December 28, 2006 Transba filed with ENRE a statement similar to that filed by Transener with the adaptations required by the terms and investments to be committed based on Transba's Letter of Understanding.

On April 9, 2007, Transener made a new filing with ENRE expressly stating that ENRE had not complied with the provisions agreed in the Letter of Understanding and reporting the seriousness of the situation arising from such non-compliances. ENRE was once again requested to immediately proceed with the regularization of the Full Tariff Review process and to issue any administrative resolution required to recognize in the tariffs the increases in costs subsequent to the execution of the Letter of Understanding. In turn, on April 10, 2007 Transba filed with ENRE a note similar to that filed by Transener, which was filed once again on May 28, 2007.

The Argentine Electricity Market

Subsequently, on June 29, 2007, ENRE formally requested that Transener and Transba submit their tariff-related claims pursuant to the provisions contained in their respective Letters of Understanding and Section 45 and concurrent of Law No. 24,065. Thus, in September, both companies filed with ENRE their respective tariff and regulatory claims for the five-year period 2008/2012, thereby updating the information they had filed in August 2005.

The above notwithstanding, ENRE has not afforded the tariff requests filed by Transener S.A. and Transba S.A. in the framework of the Full Tariff Review the treatment requested.

The Secretariat of Energy issued resolutions SE No. 869/08 and 870/08 on July 30, 2008 thereby extending the contractual transition period for Transener and Transba, respectively, until the effective coming into force of the Tariff Schedule resulting from the Full Tariff Review, and simultaneously fixing said effective date as February 2009.

Through its Notes 83,199 and 83,200 dated November 7, 2008, ENRE required once again that Transener and Transba comply with the informational requirements to undertake the Full Tariff Review process for both companies.

Hence, in December 2008 both Transba and Transener once again filed with ENRE the information required for ENRE to analyze it and define the new tariff schedule previous to holding the Public Hearing.

As of the date of these financial statements, ENRE has not called the corresponding Public Hearing to make progress with the Full Tariff Review.

Besides, by reason of the increase in labor costs originating from the enforcement of the Decrees of the Executive Branch No. 392/04 et seq. and of operating costs, which have been climbing up since 2004, Transener and Transba continued to file claims with ENRE so that in conformity with the clauses stipulated in that respect in the Letters of Understanding, ENRE should re-adjust the regulated revenues to be earned by the companies.

Within this context, in March 2008 a claim was filed with ENRE for it to speed up the treatment of these proceedings and recognize the increase in costs that Transener and Transba have been forced to absorb.

It must be highlighted that on April 21, 2008, and on May 5, 2008, UNIREN stated in a note that the cost monitoring mechanism and the service quality system were to be in force up and until the Full Tariff Reviews of Transener and Transba, respectively, were to fully come into force and that the delay in defining such process cannot be attributed to the Concessionaires and that the delay could not harm their rights.

Transener and Transba applied to the Secretariat of Energy for it to i) impart instructions on ENRE for it to apply a tariff increase equal to the index that reflects the variation in the costs as per the Memorandum of Understanding, ii) cause ENRE to determine the actual incidence of the increase in operating costs and investments to define the adjustments to be applied retroactively as agreed in the Memoranda of Understanding.

In this respect, and in the note SE 897 dated July 29, 2008, the Energy Secretary imparted instructions on ENRE for it to apply the provisions agreed upon under clauses 4.2, 4.3 and 11.1 of the Memoranda of Understanding, at least in part.

Hence, on July 31, 2008, ENRE issued Resolutions No 328/08 and 327/08 to adjust the amounts payable to Transener and Transba by approximately 23% and 28%, respectively, to come into force starting July 1, 2008.

These increases did not reflect the filings made by both companies applying for recognition of the increased costs that they have been affording since 2004 as stipulated with UNIREN in the Memoranda of Understanding.

Therefore, both companies have filed briefs with the ENRE in connection with disagreements about the implementation of the resolutions mentioned in the preceding paragraph as they are inconsistent with the instructions imparted by the Secretariat of Energy that ordered ENRE to formalize increases for 39.2% and 43.03% on these companies' regulated revenues in force as of June 30, 2008 for Transener and Transba respectively.

In reaction to the above situation and despite the fact that on November 28, 2008 ENRE issued Resolutions No. 637/08 and 638/08 to reject these companies' claims against Resolutions 327 and 328, both companies lodged appeals seeking the enforcement of the partial adjustment decided by the Secretariat of Energy. In addition, on January 19, 2009, a motion was filed for fast track treatment so that ENRE should proceed immediately to recognize the actual changes in costs borne by Transener and Transba since 2004 and that they should be retroactively applied starting with each six-month period.

6. Relevant Events of the Fiscal Year

6.1 | Expansion of the Central Térmica Güemes

With the presence of Argentina's President Cristina Fernández de Kirchner, on July 29, 2008, Central Térmica Güemes inaugurated its new General Electric LMS-100 turbine of 100 MW. It is a gas-powered aero-derivative Turbogenerator, with an efficiency of 43% that caused the generation capacity of the central to be increased by 40%, thus totaling 361 MW. The turbine required a total investment of US\$ 69 million and began operating in September, 2008.

The new installed capacity is destined for the new Energía Plus Program. For this, in 2008, we have finished marketing it at an average price which exceeds US\$ 60 per MWh. Thus, Pampa is currently the company with the highest amount of Energía Plus contracts sold in the market.

6.2 | Financing of Central Térmica Loma de la Lata's expansion project

Central Térmica Loma de la Lata ("CTLLL") expansion project consists in converting the existing open cycle plant into a combined cycle through the installation of a steam turbine and three heat recovery generators which will increase its current capacity, 369 MW, by 178 MW. The expansion requires an approximate investment of US\$ 205 million.

With the purpose of financing this investment, on June 23, 2008, the financing contracts with ABN AMRO Bank N.V., Argentine branch, and Standard Bank, Plc, were signed. These contracts established commitments to make loans with a 5-year expiration date to CTLLL of up to US\$ 80 million with an interest of LIBOR plus 4.75% to 5.50%.

Furthermore, on September 8, 2008, CTLLL successfully entered into a contract for the issuance of a series of secured notes for an amount of US\$ 178 million for the financing of the expansion works and the repayment of the loans previously mentioned.

The principal amount will be payable in five six-month payments with a five-year grace period. The first four payments will be for an amount equal to 12.5% of the principal amount, and the fifth and last payment of principal and full discharge, will be made upon maturity for an amount equal to 50% of the issued principal amount.

The bond bears an annual nominal fixed interest rate of 11.25%. This rate will consist of (i) a fixed interest portion equal to an annual nominal fixed rate of 5% and (ii) a compounded interest portion equal to an annual nominal fixed rate of 6.25%.

The subscription price was 93.3402%, which implies a yield to maturity of 12.95%.

ABN AMRO Bank N.V., Argentine branch, and Standard Bank Argentina S.A. acted as Arrangers, Placement Agents in Argentina and Bookrunners of the bond offering.

6.3 | Shares and Bonds' Repurchases

6.3.1 | Repurchase and public offering of Pampa's shares

Due to the international financial crisis, which adversely affected the value of the Company's shares, and as part of Pampa's strategy to focus on energy assets and to sell non-strategic assets, as from September 9, 2008, we have begun a repurchase process of the Company's shares, both by repurchasing in the market and by means of public offerings.

We consider that these measures are in the best interest of the Company's shareholders since they allow them to increase their holdings of strategic assets of Pampa at an 58% discount on their book value as of December 31, 2008 (Ps. 2.29 per share), which represents the purchase price of said assets. Therefore, as of December 31, 2008, we had repurchased a total of 126,426,196 shares, which represent 8.3% of Pampa's stock capital, at an average price of Ps. 0.96 per share, totaling Ps. 120.8 million.

Moreover, during 2009 we continued with the share repurchase process which, as of March 6, amounts to 72,034,328 additional shares, which represent 4.7% of Pampa's stock capital, at an average price of Ps. 0.98 per share, totaling Ps. 70.5 million.

Relevant Events of the Fiscal Year

6.3.2 | Repurchase of Edenor's shares

Like Pampa, on October 29, 2008, the Board of Directors of Edenor decided to begin a share repurchase process of Edenor's shares, both through repurchases made in the market, and through a public tender offer. As of December 31, 2008, Edenor had repurchased a total of 9,412,500 shares, which represent 1.0% of its stock capital, at an average price of Ps. 0.65 per share, totaling Ps. 6.1 million.

6.3.3 | Subsidiaries' Bond Repurchases

During 2008, we made several repurchases of bonds issued by Edenor, EASA, Transener and Central Térmica Güemes through our subsidiaries. The decision has been based mainly on the fall in price of these securities, thus being an attractive investment and, at the same time, causing the indebtedness level of such companies to decrease.

As of December 31, 2008, Pampa and its subsidiaries had repurchased bonds of Edenor, EASA, Transener and Central Térmica Güemes for a total face value of US\$ 127.2 million, at an average price of 55%.

Furthermore, as from January 1, 2009, and up to March 6, 2009, Pampa and its subsidiaries repurchased bonds of Edenor, EASA, Transener and Central Térmica Güemes for a total face value of US\$ 79.3 million, at an average price of 46%.

6.4 | Inversora Ingentis S.A.

On October 2, 2008, Pampa, together with Dilurey S.A., agreed to sell to Emgasud S.A. all its holdings in Inversora Ingentis S.A. for US\$ 51 million.

On January 7, 2009, and in accordance with the provisions agreed upon with Emgasud S.A., since said company did not deposit on January 5, 2009, the US\$ 51 million mentioned above, Pampa began controlling, directly and indirectly, 100% of the stock capital of Inversora Ingentis S.A., and also received a promissory note issued by Emgasud for US\$ 3 million. Inversora Ingentis S.A. is the holder of 61% of the stock capital of Ingentis S.A.; the province of Chubut is the holder of the other 39%.

6.5 | Payment of early dividend

In order to preserve the Company's equity and, mainly, to afford an equitable treatment to all the shareholders, Pampa has decided to implement a mechanism considered to be an effective and efficient tool, which consists of declaring the distribution of an early dividend to be offset against the amount of personal asset tax payable by Pampa to the Argentine Tax Authority (Administración Federal de Ingresos Públicos – AFIP), in its capacity as substitute taxpayer of such tax.

In accordance with the provisions of the Personal Asset Tax Law No. 23,966 Pampa is required to pay, as substitute taxpayer, the personal asset tax payable by all the Company's shareholders, as of December 31, 2008, who are subject to the tax. The law allows the companies to recover the amounts paid, but implementation of such recovery is difficult (need to address individual claims). In practice, the companies usually bear the cost of this tax, which adversely affects their results and does not generate any income tax deduction. Among the different alternatives used by public companies to recover the sums paid, Pampa considers that the most efficient one consists in offsetting the amounts paid against the early dividend declared.

For such reason, on December 22, 2008, Pampa declared an early dividend of Ps. 18,314,331, or approximately Ps. 0.012 per outstanding share, for the second consecutive year. As from the first business day of 2009, a new security was created to represent this early dividend, in the form of a book-entry coupon, the payment of which shall be deferred to March 19, 2009, the date when the final amount of the tax will be known. Transfer of this book-entry coupon will be blocked until such payment date, in order to preserve the identity of the shareholders subject to the tax and of the shareholders entitled to the dividend. Accordingly, the Company's shares started to be traded ex coupon as from the first business day of 2009.

As from March 19, 2009, Pampa will pay the early dividend to the shareholders and will withhold the amount of personal asset tax from those shareholders who are subject to the tax. This includes all of Pampa's shareholders, except for Argentine companies and holders of ordinary shares from Switzerland, Chile and Spain, all of which are not subject to this tax. GDS' holders are taxed in all cases.

6.6 | Amendment to Central Térmica Güemes' Covenants

On December 23, 2008, and on January 20, 2009, Central Térmica Güemes ("CTG") amended certain restrictive covenants of its 10.5% notes due 2017 and 2% notes due 2013, respectively. The main purpose of the approved amendments is to modify certain restrictive covenants in order to reflect CTG's current financial position and business prospects.

CTG deems that the approved amendments afford it a debt and lien incurrence capacity which is reasonable in light of its EBITDA and debt service capacity.

The approved amendments permit CTG, among other things, to:

- Incur additional indebtedness of up to US\$ 30 million for any purpose, irrespective its indebtedness ratio.
- Incur additional indebtedness to the extent its leverage ratio of outstanding net debt to EBITDA would not exceed 3.00 to 1.00 (excluding up to US\$ 30 million of permitted indebtedness).
- Incur additional indebtedness to finance or refinance the acquisition, construction, improvement or development of any goods or other assets, including CTG's new generation unit (regardless of whether it was incurred before or after any such acquisition, construction, improvement or development).
- Secure debt incurred in order to finance or refinance the acquisition, construction, improvement or development of any goods or other assets (including CTG's new generation unit and income from such unit).

6.7 | Acquisition of remaining shares of Transelec

Pursuant to the put-call option agreement dated September 21, 2006 executed by Pampa and the minority shareholders of Transelec for 10.24% of Transelec's shares, on January 2, 2008 such minority shareholders gave notice to the Company of their intention to exercise their put option. Accordingly, Pampa paid to the minority shareholders the amount of Ps. 38.8 million, thus becoming holder of 100% of Transelec's shares.

6.8 | Acquisition of shares of Central Térmica Güemes S.A.'s Employee Participation Program and Preferred Shares Conversion

On September 19, 2008, all the preferred shares of Central Térmica Güemes S.A ("CTG") were converted into Class A common shares, and one common share was given for each preferred share. The preferred shares were issued in accordance with the capital increase carried out in order to finance the expansion of CTG's installed capacity by 100 MW, which commenced its commercial operations in September, 2008.

Furthermore, on October 3, Pampa agreed to purchase the shares of CTG's Personnel Participation Program, which represent 2.6% of the stock capital of the company, by paying an amount of, approximately, US\$ 3 million.

Thus, Pampa controls, directly and indirectly, 92.3% of the stock capital and voting rights of CTG, and the Argentine Government controls the remaining 7.7%.

6.9 | Acquisition of shares of Hidroeléctrica Diamante's Employee Participation Program

On January 8 and 9, 2008, Pampa acquired the shares related to Hidroeléctrica Diamante's Employee Participation Program (Programa de Propiedad Participada de Hidroeléctrica Diamante -HIDISA), representing 2% of its stock capital, by paying an amount of Ps. 3.4 million. Therefore, Pampa currently controls, directly and indirectly, 56% of the stock capital and voting rights of Hidroeléctrica Diamante.

6.10 | Sale of Alstom Turbine

On September 8, 2008, the Alstom turbine model GT13E2 was sold for approximately, US\$ 28.3 million. The turbine is included in the plan of realization of non-strategic assets of the Company for the repurchase of Pampa's shares, which allows our shareholders to increase their holdings of strategic shares of the Company.

6.11 | Change of Name

On April 25, 2008, as part of the Company's strategy to focus on energy assets, the General Extraordinary Shareholder's Meeting of Pampa Holding unanimously approved its change of name to Pampa Energía S.A.

7. Description of our assets

Pampa Energía S. A. is the largest fully integrated electricity company in Argentina. Through our subsidiaries, we are engaged in the generation, transmission and distribution of electricity in Argentina:

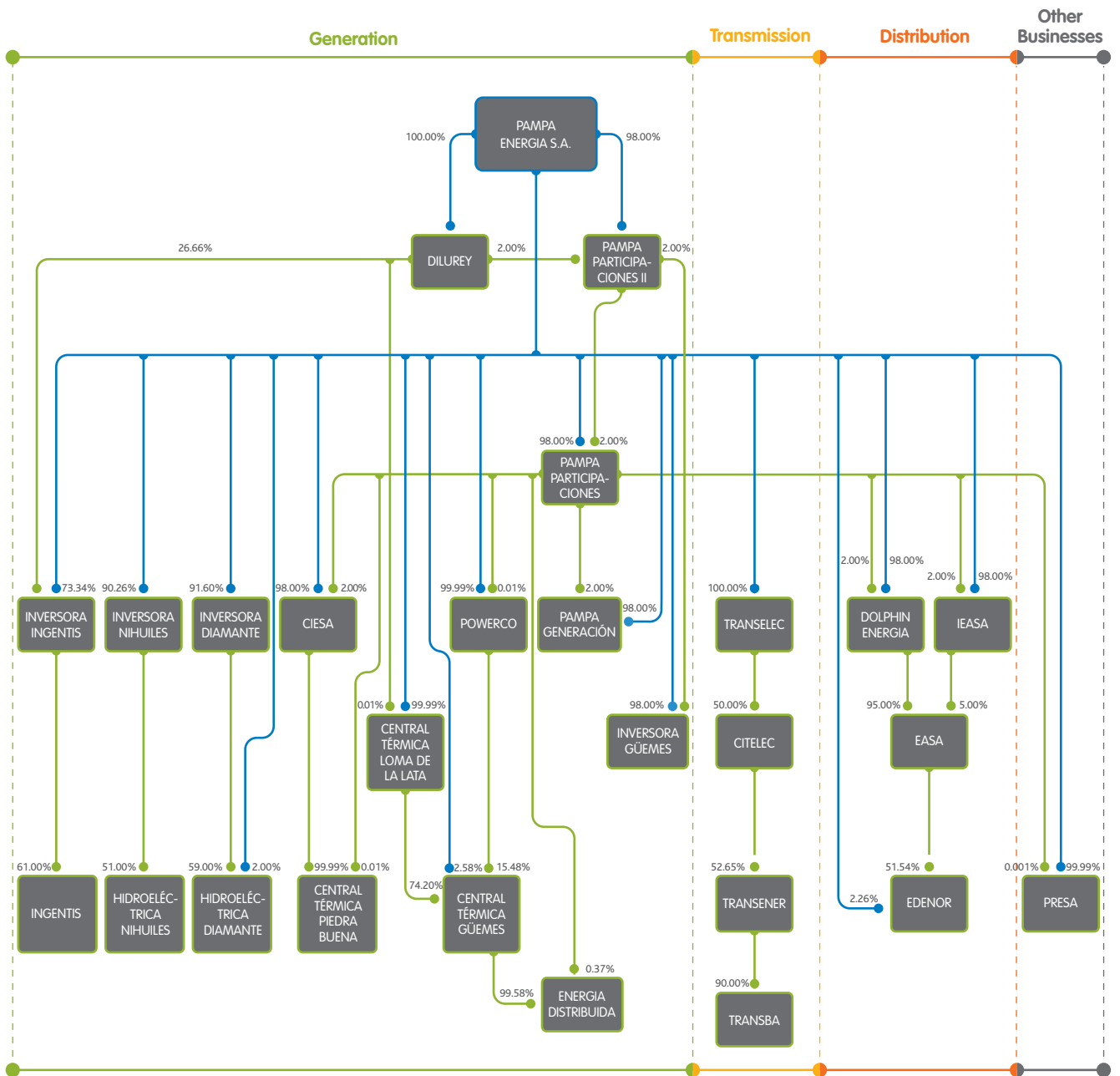
Pampa Generación		Transener		Edenor	
Generation	MW	Transmission	Km	Distribution	Clients
Central Hidroeléctrica Nihuales	265	Transener	10,155	Edenor	2,500,000
Central Hidroeléctrica Diamante	388	Transba	6,108		
Central Térmica Güemes	361			TOTAL	2,500,000
Central Térmica Piedra Buena	620	TOTAL	16,263		
Central Térmica Loma de la Lata	369				
Expansions	400				
TOTAL	2,403				

Our generation segment has an installed capacity of approximately 2,000 MW, including the recent incorporation of the LMS-100 of 100 MW in the Central Térmica Güemes, representing almost 8% of the installed capacity in Argentina. We are also involved in various expansion projects to increase our installed capacity by nearly 400 MW for the Energía Plus plan.

Our transmission segment co-controls the operation and maintenance of the Argentine high voltage transmission network, which extends over more than 10.2 thousand km of lines owned by Transener and 6.1 thousand km of high voltage lines owned by Transba. Transener transports 95% of all the electricity in Argentina.

Finally, our distribution segment is composed of Edenor, the largest distributor of electricity in Argentina, with more than 2.5 million customers and a concession area that covers the northwestern region of the City of Buenos Aires and Greater Buenos Aires.

Corporate Structure as of December 31, 2008



Description of our assets

Electricity Generation

As of the date hereof, Pampa's electricity generation assets include its interests in Inversora Nihules S.A., Inversora Diamante S.A., Central Térmica Güemes S.A., Central Térmica Loma de la Lata S.A., Central Piedra Buena S.A. and Ingentis S. A.

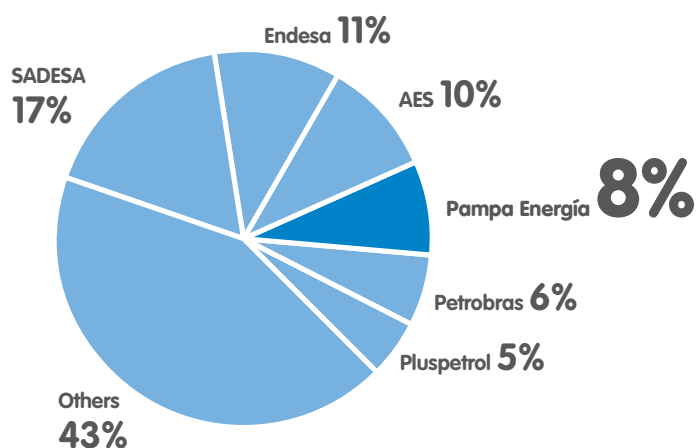
The following chart summarizes Pampa's electricity generation assets:

Summary of Electricity Generation Assets	Hidroelectric		Thermal			Total
	HINISA	HIDISA	CTG	CTLL	CPB	
Installed Capacity (MW)	265	388	361	369	620	2,003
Market share	1.0%	1.5%	1.4%	1.4%	2.4%	7.7%
Net Generation 2008 (GWh)	886	617	1,724	1,745	3,312	8,284
Market share	0.8%	0.6%	1.6%	1.6%	3.0%	7.6%
Sales 2008 (GWh)	1,256	968	1,976	1,817	3,727	9,744
Net Generation 2007 (GWh)	1,053	700	1,643	1,772	3,035	8,203
Variation Net Generation 2007-2008	-15.9%	-11.8%	5.0%	-1.5%	9.1%	1.0%
Sales 2007 (GWh)	1,448	1,056	1,766	1,799	3,045	9,114
Average Price 2008 (AR\$ / MWh)	121.3	142.4	167.5	106.4	261.3	183.6
Average Gross Margin 2008 (AR\$ / MWh)	54.1	56.7	62.8	27.5	20.4	38.3
Average Gross Margin 2007 (AR\$ / MWh)	46.2	50.8	27.4	18.1	10.1	25.5

Note: Gross Margin before amortization and depreciation charges. CTG includes Powerco's results.

The following chart shows Pampa's market share in the electricity generation segment, measured in terms of net generation in 2008:

ELECTRICITY GENERATION 2008
100% = 110.538 GWh*



Source: CAMMESA.
* Does not include imported electricity.

Finally, the following chart summarizes the main proforma financial data relating to Pampa's generation assets, including the results of Hidroeléctrica Nihules, Hidroeléctrica Diamante, Central Térmica Güemes, Central Térmica Loma de la Lata and Central Piedra Buena, at 100%, irrespective of Pampa's shareholding interests:

Financial Information ¹	2007	2008
Net Sales	1,125,928	1,704,903
Cost of Sales	-957,134	-1,396,300
Operating Income	133,312	257,906
Net Income	106,698	125,344
EBITDA	175,009	310,338
Net cash flow provided by operating activities	284,864	9,351
Net cash flow used in investment activities	-339,806	-674,401
Net cash flow provided by financing activities	229,732	650,234
Current Assets	450,068	840,188
Non-Current Assets	1,540,027	1,988,134
Total Assets	1,990,095	2,828,322
Current Liabilities	437,239	467,045
Non-Current Liabilities	163,916	884,665
Total Liabilities	601,155	1,351,710
Shareholders' Equity	1,388,940	1,476,612

1. Figures from the annual financial statements, in thousands of pesos. 2007 includes, for Central Térmica Loma de la Lata, only the period between May 17 and December 31, 2007.

Collection of FONINVEMEM 2007 and Credits 2008

It should be noted that, during 2008, we were able to collect all Fund for Stimulating Investments to Increase the Electrical Energy Supply in the WEM ("FONINVEMEM") credits for 2007 from Hidroeléctrica Nihules, Hidroeléctrica Diamante, Central Piedra Buena, Central Térmica Güemes and Central Térmica Loma de la Lata, amounting to a total of Ps. 39.7 million. Said collection was made in the framework of Resolution 564/07 of the Energy Secretariat which authorized generators to allocate the FONINVEMEM 2007 credits to new electricity investments, always provided that such investments were four times higher than the amount of the credits.

Furthermore, and since, up to this date, the Energy Secretariat has not determined the application of a new FONINVEMEM 2008, we are currently working on the collection of such credits from Hidroeléctrica Nihules, Hidroeléctrica Diamante, Central Piedra Buena and Central Térmica Loma de la Lata for a total amount of Ps. 81.9 million. In that sense, through Resolution 724/08, the Energy Secretariat authorized the use of these credits for repair and/or improvement works of generators, such as our expansion project in Loma de la Lata.

GENERATION



Hidroeléctrica Nihuales S.A. ("HINISA")

In June 1994, HINISA was granted a thirty-year concession for the generation, sale and commercialization of electricity from the Nihuales hydroelectric system (the "Los Nihuales System"). Located on the Atuel river, in the Province of Mendoza, the Los Nihuales System has an installed capacity of 265.2 MW, which represents 1.0% of the installed capacity in Argentina, and is composed of three dams and three hydroelectric power generation plants (Nihuil I, Nihuil II and Nihuil III), as well as a compensator dam. The Los Nihuales System covers a total distance of approximately 40 km with a height differential between 440 m and 480 m. From 1990 to 2008, its annual average generation was 918 GWh, with the highest level of generation (1,250 GWh) reached in 2006 and the lowest level (681 GWh) recorded in 1999.

HINISA's revenues are composed of energy and capacity sales. Total revenues for the twelve-month period ended December 31, 2008 were Ps. 152.4 million, corresponding to a net generation of 886 GWh, 15.9% lower than in 2007, with a hydraulic contribution of 1,086 Hm³, 9% lower than in 2007.

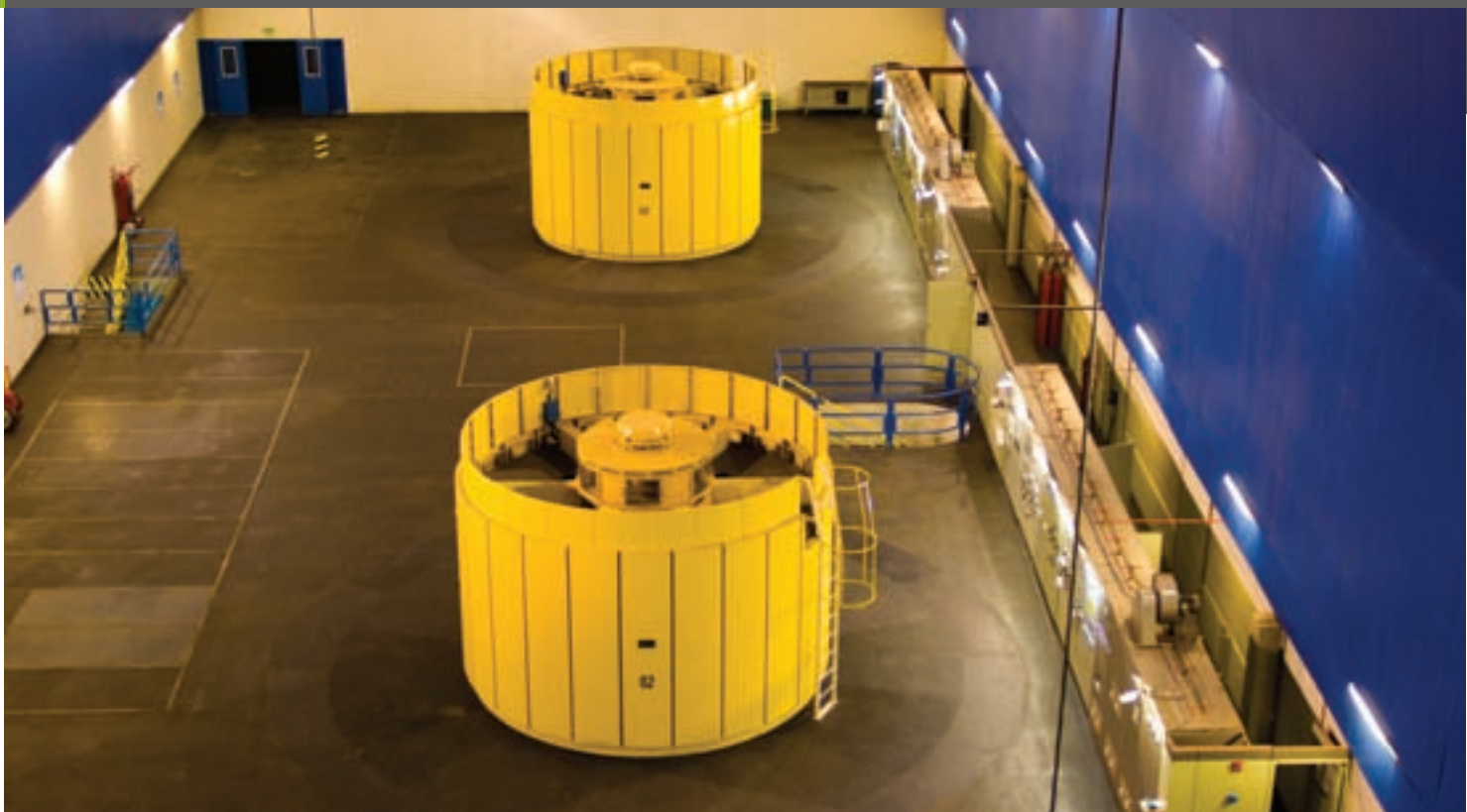
HINISA made 72% of its sales in the spot market. Availability of the power plants reached 95.1%.

The following chart shows certain relevant statistical data on Nihuales:

	2004	2005	2006	2007	2008
Net Generation (GWh)	905	1,028	1,250	1,053	886
Energy Purchases (GWh)	285	415	434	395	370
Total Energy Sales (GWh)	1,190	1,443	1,684	1,448	1,256
Average Price (AR\$ / MWh)	45.4	59.6	76.5	98.5	121.3
Average Gross Profit (AR\$ / MWh)	20.4	26.0	36.0	46.2	54.1

Note: Gross Margin before amortization and depreciation charges.

GENERATION



Hidroeléctrica Diamante S.A. ("HIDISA")

In October 1994, HIDISA was granted a thirty-year concession for the generation, sale and commercialization of electricity from the Diamante hydroelectric system (the "Diamante System"). Located on the Diamante river, in the Province of Mendoza, the Diamante System has an installed capacity of 388.4 MW, which represents 1.5% of the installed capacity in Argentina, and is composed of three dams and three hydroelectric power generation plants (Agua del Toro, Los Reyunos and El Tigre). The Diamante System covers a total distance of approximately 55 km with a height differential between 873 m and 1,338 m. From 1990 to 2008, its annual average generation was 616 GWh, with the highest level of generation (943 GWh) reached in 2006 and the lowest level (375 GWh) recorded in 1997.

HIDISA's revenues are composed of energy and capacity sales. Total revenues for the twelve-month period ended December 31, 2008 were Ps. 137.9 million, corresponding to a net generation of 617 GWh, 11.7% lower than in 2007, with a hydraulic contribution of 1,118 Hm³, 13% lower than in 2007.

HIDISA made 58% of its sales in the spot market. Availability of the power plants reached 79.6%.

The following chart shows certain relevant statistical data on Hidroeléctrica Diamante:

	2004	2005	2006	2007	2008
Net Generation (GWh)	528	666	943	700	617
Energy Purchases (GWh)	244	309	345	356	351
Total Energy Sales (GWh)	772	975	1,288	1,056	968
Average Price (AR\$ / MWh)	53.0	70.5	83.9	118.0	142.4
Average Gross Profit (AR\$ / MWh)	20.5	31.2	40.8	50.8	56.7

Note: Gross Margin before amortization and depreciation charges.



Central Térmica Güemes S.A. ("Güemes" or "CTG")

Central Térmica Güemes is located in the northwestern region of Argentina, in the City of Gral. Güemes, Province of Salta. Privatized in 1992, it has a 261 MW open cycle thermal electricity generation plant and the recent incorporation of a natural gas-powered turbogenerator group General Electric of 100 MW, amounting to a total of 361 MW, which represent 1.4% of the installed capacity in Argentina. From 1993 to 2008, its average annual generation was 1,553 GWh, with the highest level of generation (1,903 GWh) reached in 1996 and the lowest level (1,030 GWh) recorded in 2003.

CTG is in a privileged location, given its proximity to the gas fields in the Argentine northeast basin, which permits it to enter into supply contracts at very competitive conditions in terms of price, quality, volume and delivery conditions throughout the year.

CTG's revenues are mainly composed of energy and capacity sales. Total revenues for the twelve-month period ended December 31, 2008 were Ps. 247.1 million, corresponding to a net generation of 1,724 GWh, 4.9% higher than in 2007.

CTG allocates 150 MW to its contracts for export of electric energy and capacity to UTE Uruguay. In 2008, an aggregate of 335 GWh was exported, 43% higher than the volumes exported in 2007 thanks to an increase in the amount of authorizations granted by CAMMESA and a greater demand by UTE.

The following chart shows certain relevant statistical data on Central Térmica Güemes:

	2004	2005	2006	2007	2008
Net Generation (GWh)	1,324	1,617	1,666	1,643	1,724
Energy Purchases (GWh)	468	206	116	123	252
Total Energy Sales (GWh)	1,792	1,823	1,782	1,766	1,976
Average Price (AR\$ / MWh)	32.3	51.5	81.0	86.0	167.5
Average Gross Profit (AR\$ / MWh)	8.1	13.1	23.8	27.4	62.8

Note: Gross Margin before amortization and depreciation charges. Includes results through Powerco.

GENERATION



Central Térmica Loma de la Lata S.A. ("CTLL")

Central Térmica Loma de la Lata is located in Loma de la Lata, Province of Neuquén. The plant was built in 1994 and is composed of three open cycle gas turbines and has an installed capacity of 369 MW, which represents 1.4% of the installed capacity in Argentina. From 1997 to 2008, its average annual generation was 1,290 GWh, with the highest level of generation (2,317 GWh) reached in 1999 and the lowest level (272 GWh) recorded in 2002.

Like CTG, Loma de la Lata is in a privileged location, given its proximity to one of the largest gas fields in Latin America, also called Loma de la Lata.

CTLL's revenues are mainly composed of energy and capacity sales. Total revenues for the twelve-month period ended December 31, 2008 were approximately Ps. 193.4 million, corresponding to a net generation of 1,745 GWh, 1.6% lower than in 2007.

We are currently in the process of expanding CTLL. The expansion project consists of converting Central Térmica Loma de la Lata to a combined cycle through the installation of a steam turbine and three heat recovery generators, which will increase its current capacity, 369 MW, by 178. The expansion requires an approximate investment of US\$ 205 million and is will be sold under the Energía Plus Program.

The following chart shows certain relevant statistical data on Loma de la Lata:

	2004	2005	2006	2007	2008
Net Generation (GWh)	807	1,253	1,263	1,772	1,745
Energy Purchases (GWh)	59	43	31	27	72
Total Energy Sales (GWh)	866	1,296	1,294	1,799	1,817
Average Price (AR\$ / MWh)	35.0	44.8	64.6	81.5	106.4
Average Gross Profit (AR\$ / MWh)	23.4	20.8	22.2	18.1	27.5

Note: Gross Margin before amortization and depreciation charges.

GENERATION



Central Piedra Buena S. A. ("CPB")

Central Piedra Buena is located in the port of Ingeniero White, close to the City of Bahía Blanca, province of Buenos Aires. CPB has 2 turbines of 310 MW each, totaling 620 MW which represent 2.4% of Argentina's installed capacity. The boilers can be indistinctly fed with natural gas or fuel oil.

The supply of natural gas is made through a 22 km gas pipeline owned by CPB, which CPB also owns, operates and maintains, and which connects to the main gas pipeline system of Transportadora Gas del Sur. Furthermore, CPB has two tanks for the storage of fuel oil with a combined capacity of 60,000 m³. From 1997 to 2008, its average annual generation was 1.831 GWh, with the highest level of generation (3,312 GWh) reached in 2008 and the lowest level (189 GWh) recorded in 2002.

CPB's revenues are mainly composed of energy and capacity sales. Total revenues for the twelve-month period ended December 31, 2008 were Ps. 974.1 million, corresponding to a net generation of 3,312 GWh, 9.1% higher than in 2007.

The following chart shows certain relevant statistical data on Central Piedra Buena:

	2004	2005	2006	2007	2008
Net Generation (GWh)	1,436	1,958	2,192	3,035	3,312
Energy Purchases (GWh)	197	12	12	10	415
Total Energy Sales (GWh)	1,633	1,970	2,204	3,045	3,727
Average Price (AR\$ / MWh)	125.2	125.0	193.3	198.8	261.3
Average Gross Profit (AR\$ / MWh)	39.3	15.6	7.1	10.1	20.4

Note: Gross Margin before amortization and depreciation charges

GENERATION



Summary of Expansion Projects

The following are Pampa's expansion projects under the **Energía Plus Program**, whereby generators are able to freely negotiate contracts and prices directly with large consumers:

- **New open cycle of Central Térmica Güemes.** This was the first of the Energía Plus expansion projects to be completed. Construction was completed in July, 2008, and it began commercial operations on September, 2008. The project consists of a new 100 MW open-cycle through the installation of a new natural gas-powered aero-derivative turbogenerator of 43% efficiency.
- **Loma de la Lata Project.** Pampa is expanding Loma de la Lata's current installed capacity by 178 MW through the conversion of the plant to combined cycle. The project will increase Loma de la Lata's capacity by approximately 50% with not additional gas consumption, resulting in increased efficiency for the whole plant. Loma de la Lata's current 369 MW open cycle operates at an efficiency of approximately 32% and we expect that upon completion of the project, Loma de la Lata's combined cycle will operate at an efficiency of approximately 50% for 547 MW.
- **Ingentis Project.** Pampa, together with the province of Chubut, will construct generation plant consisting of two natural gas-powered aero-derivative turbogenerators with a combined capacity of 205 MW to be allocated to said province. It is anticipated that the turbines will operate with an efficiency of 43%. At present, and given the local and international financial outlook, the project is being revised, particularly regarding its location to take advantage of current natural gas availability and transportation capacity.
- **New Gas-Fired Engines.** This project consists of two gas-fired motor generators with a combined installed capacity of approximately 16 MW and with an efficiency of 43%. Currently, the project's location is yet to be confirmed.

The following table summarizes the current status of Pampa's expansion projects:

Project	Location	New Capacity (MW)	Total Investment (US\$ MM)	Investment as of Dec '08 (US\$ MM)	Fuel	Estimated commercial operation date
CTG	Salta	100	69	65	Natural Gas ¹	Completed
Loma de la Lata	Neuquén	178	205	164 ²	Combined Cycle. Does not require additional fuel	3Q 2010
Total		278	274	229		

(1) Provision warranted by natural gas royalty assignment agreements.

(2) Includes Ps. 309.4 million corresponding to investments guaranteeing letters of credit of the project (included in the Consolidated Balance Sheets as Non-Current Investments).

TRANSMISSION



Compañía de Transporte de Energía Eléctrica en alta Tensión TRANSENER S.A.

Transener is a leading public utility in Argentina's extra high voltage electricity transmission sector. It holds a concession over Argentina's extra high voltage electricity transmission network made up by 10,155 kilometers of transmission lines and 42 transforming substations, plus the 6,108 kilometers of lines and 87 transforming substations that make up the network managed by Transener's controlled company, Empresa de Transporte de Energía Eléctrica por Distribución Troncal de la Provincia de Buenos Aires ("Transba S.A.", in which Transener holds a 90% shareholding). Thus, Transener operates 95% of Argentina's high voltage electricity lines.

The following table summarizes Transener's main financial indicators:

Technical Data	2007	2008
Transener Transmission Lines (Km)	9,327	10,155
Transba Transmission Lines (Km)	6,064	6,108
Financial Information ¹	2007	2008
Net Sales	504,722	457,046
Cost of Sales	-372,329	-361,838
Operating Income	83,266	35,157
Net Income	-5,745	-65,883
EBITDA	189,091	149,328
Net cash flow provided by operating activities	193,497	157,271
Net cash flow used in investment activities	-70,384	-102,085
Net cash flow used in financing activities	-81,854	-102,660
Current Assets	197,022	158,190
Non-Current Assets	1,874,782	1,871,622
Total Assets	2,071,804	2,029,812
Current Liabilities	117,211	129,957
Non-Current Liabilities	826,840	839,123
Total Liabilities	944,051	969,080
Shareholders' Equity	49,381	48,243
Net Sales	1,078,372	1,012,489

1. Amounts taken from the consolidated annual financial statements, stated in thousand Pesos.

Description of our assets

For the fiscal year ended December 31, 2008 Transener reported a net consolidated loss of \$65.9 million (\$0.148 per share).

Consolidated income from sales for the fiscal year ended on December 31, 2008 amounted to \$457 million, 9.4% less than the \$504.7 million for the previous fiscal year and due mainly to a Pesos \$33.4 million increase in revenues from electricity transmission services, net, a Pesos \$9.3 million increase in the royalties payable on the Fourth Line and a Pesos \$90.3 million decrease in other revenues from sales.

The increase in revenues from electricity transmission services, net, was mainly due to the increase in the compensation due to Transener and Transba in the framework of Resolutions ENRE No. 328/08 y 327/08, respectively.

The increase in the royalties payable on the Fourth Line was mainly due to the enforcement of Resolution ENRE No. 653/08, which recalculated these royalties as from October 2008. Transener is presently assessing this Resolution.

The decrease in other revenues from sales was mainly due to the following decreases (i) \$20.3 million in the income derived from supervision services, mainly as a result of the completion of the works required for Yacyretá's Third High Voltage Transmission Line and Puerto Madryn-Santa Cruz Norte High Voltage Transmission Line, net of the revenues arising from the supervision services in the NEA-NOA works that commenced in September 2008, (ii) \$31.8 million in the revenues from works, mainly due to the completion of works at the Almafuerde, Santo Tomé and Ramallo Transforming Sub-stations and (iii) \$38.8 million in the unregulated revenues of its controlled company Transener Internacional Ltda., resulting mainly from the rescission of the agreements with the companies Transmisora Sudeste Nordeste – TSN, Novatrans Energia and Grupo Plena.

Consolidated operating costs for the fiscal year ended on December 31, 2008 amounted to \$421.9 million, in consonance with the \$421.5 million recorded in the previous fiscal year, with: (i) a \$33.4 million decrease in Materials for construction works due to the decline in the level of unregulated activities, net of (ii) a \$22.3 million increase in Salaries and social security contributions, an \$8.7 million increase in Fixed assets depreciation and a \$2.6 million increase in Insurance.

Other consolidated income and expenses for the fiscal year ended on December 31, 2008 represented net income for \$19.6 million, compared to the \$8.9 million net income recorded in the previous fiscal year, explained mainly by (i) the compensation for termination of the agreements made by and between Transener Internacional Ltda. and the companies Transmisora Sudeste Nordeste – TSN, Novatrans Energia and Grupo Plena and by the sale of certain fixed assets substantially associated to the agreements and (ii) by the proceeds obtained with the collection of the insurance that covered the loss sustained in Transener's Ezeiza Transforming Substation occurred on May 17, 2007.

Consolidated financial results for the fiscal year ended on December 31, 2008 represented a \$98 million net loss, compared to the \$79.9 million net loss recorded in the previous fiscal year, due mainly to (i) a \$45.8 million increase in the foreign exchange losses arising from liabilities, (ii) a \$3.6 million increase in the translation loss on investments abroad, net of (iii) a \$33 million increase in gains from repurchases of debt.

The Income Tax charge for the fiscal year ended on December 31, 2008 amounted to a net operating loss of \$23.6 million, compared to the \$17.8 million net operating loss recorded in the previous fiscal year and resulting mainly from the changes in deferred tax liabilities in the course of the fiscal years.

Operation and Maintenance

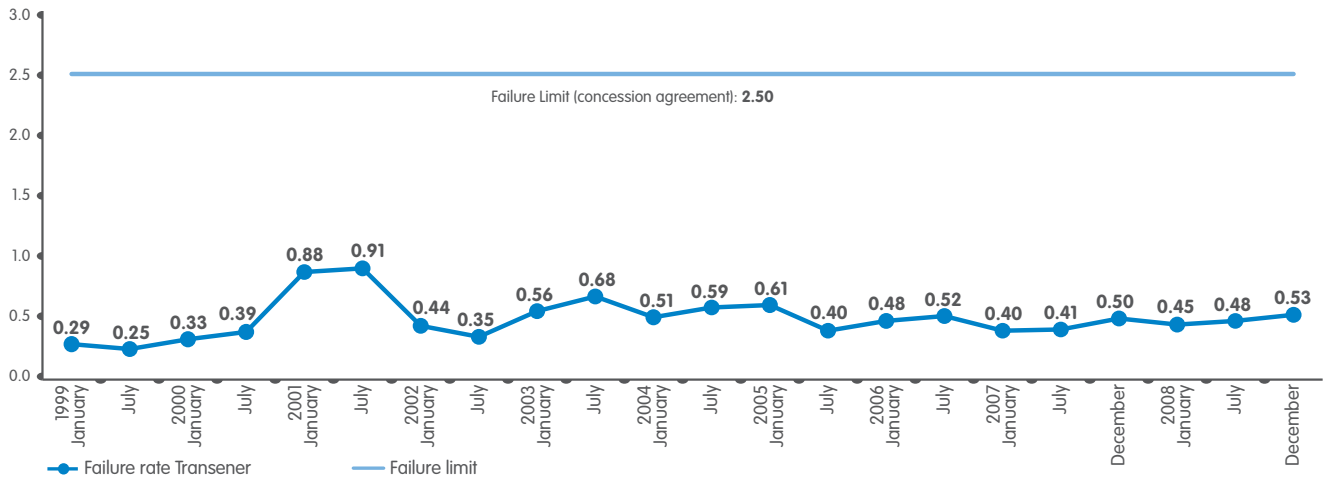
The energy volume handled by the Extra High Voltage network operated by Transener to meet demands in 2008 was 2.9% higher than in the year 2007. Besides, the peak demand of power in the system in 2008 was 19,126 MW, an unprecedented record for Argentina's National Interconnected System, posted on June 23, 2008. The peak demand for 2007 was posted on June 14 and it had amounted to 18,345 MW. Along the same lines as growth in demand, installed capacity went upwards as well, though in a higher proportion, as the system saw a 4.25% increase in installed capacity from one year to the other.

As regards the quality of the service consisting in extra high voltage electricity transmission, the Company has succeeded in maintaining totally acceptable levels. However, at this point, the continuous increase in demand that intensifies the solicitations on the equipment warrant special mention.

In terms of indicators, the index of failures per every 100 kilometers of line was 0.53 as of December 31, 2008, compared to 0.50 as of December 31, 2007. As regards Non-Supplied Energy, the index posted in 2008 was 3.1×10^{-5} , compared to 9.15×10^{-5} for 2007. Thus the Non-Supplied Energy indicator points to a significant improvement compared to the previous year, and compared also to the Company's historical indicators: for 2007 this indicator had included an incident in the transformer No. 3 at the Ezeiza Transforming Substation occurred on May 17, 2007 which incident contributed greatly to the 9.15×10^{-5} posted for 2007. These indices are fully in line with the parameters internationally accepted for transmission systems in companies with operating expenses much higher than those of Transener. Transener recovered from the failure in its Transformer 3 in Ezeiza in 2007 with a speed unusual for the electricity industry as the resolution of the failure called for procuring, assembling, transporting and installing a bank of 500/220/132 kV transformers with 800/800/300 MVA capacity in a period unprecedentedly short, as was from May 2007 through April 2008.

The following chart illustrates the rate of failures related to the service provided by the Company:

RATE OF FAILURES
(rate per 100 km of lines)



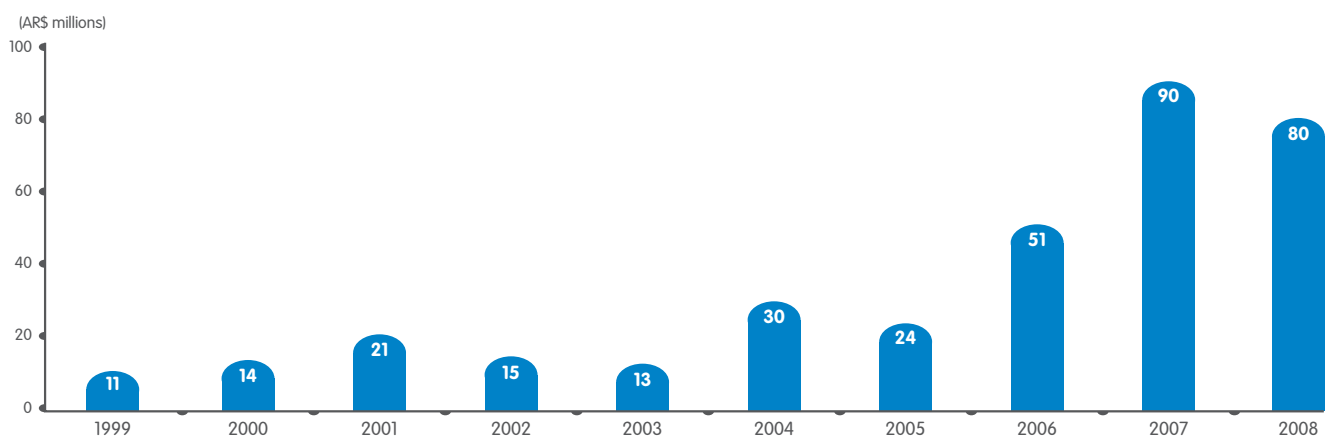
Source: Transener

Investments

The Company went ahead with a plan of investments to ensure the operational capacity of the system and invested funds in the region of \$80 million, an amount that exceeds the targets agreed with the Unit for the Renegotiation of Public Works and Public Service Agreements for the year 2005, which includes the investments required for replacing the Transformer 3 at the Ezeiza Transforming Substation.

The following chart illustrates Transener’s investments:

TRANSENER’S ANNUAL INVESTMENT (AR\$ million)



Note: includes committed investments

Source: Transener.

Description of our assets

Business Development: activities in the local market

Works

Transener has continued to enforce its policy consisting in focusing solely on those stages of the works for which Transener relies on competitive advantages. In this respect, Transener went ahead, while the line was in service, with the deployment along 40 kilometers of OPGW cabling to substitute for the traditional shield wire along the section between Rosario Oeste and the opening of such line into the shunting yard of the thermal station General San Martín, and supplementary cabling.

Transener also conducted, at the request of CAMESA and the Secretariat of Energy, a double cabling along the 5BBLP1 and 5BBLP2 lines that connect the Luis Piedrabuena Thermal Station to TIBA's Bahía Blanca Transforming Substation.

In these works, Transener applied techniques that had been already proven in the substitution of the OPGW cable in the IV Line but which nonetheless required adaptation to the type of structure existing in each line.

Transener also designed and implemented a simplified automation (Automatic Generation Disconnect) mechanism to permit the access of the new generation units at the Thermal Station Güemes with 100 MVA capacity.

The Company also conducted the final testing procedures and the commissioning for the Santa Cruz Norte Transforming Substation, in the 5PYZN1 High Voltage Electricity Line (Puerto Madryn – Santa Cruz Norte).

The need for carrying out works without shutting down installations or with minimal service outages has compelled several construction companies to request Transener's services for adapting the transposition systems, opening lines and providing supplementary cabling.

In this respect, Transener has been asked to quote works on the current 5PYZN1 High Voltage Electricity Line (Madryn – Santa Cruz Norte), in which an insertion shall be performed for the shunting yard of the Dolavon Thermal Station; on the Rosario – Almafuerde High Voltage Electricity Line, in which an insertion shall be performed for the Arroyo Cabral Transforming Substation and on the Rosario – Ramallo – Rodríguez High Voltage Electricity Line in which an insertion shall be performed for the Ramallo and Rodríguez Transforming Substations, and for the shunting yard of Atucha II Nuclear Power Station. All these works entail mobilizing a huge number of people and pieces of equipment for relatively short periods because of the overarching need of shortening down time.

Assistance in Project Development

Transener's involvement has been requested to facilitate progress with the various project stages in order to enhance generation capacity at the Loma de la Lata and Güemes Thermal Stations and for the new Dolavon Thermal Station:

- At the Loma de la Lata Thermal Station for the preparation of the Technical Bidding Conditions to enhance its existing switchyard.
- At the Güemes Thermal Station to assist with imports of generation equipment and with the preparation of the relevant SMEC project (Commercial Measurement System).
- At the Dolavon Thermal Station, for the definition of the basics of engineering, the electrical studies, the preparation of the Application for Access and then, for the preparation of the Bidding Documents to release the competitive bidding processes for the supply of equipment and the construction of the 500 kV shunting yard, the opening of the High Voltage Electricity Lines and the connection lines.

Services related to electricity transmission

In the course of the fiscal year, the supply of operations and maintenance services to customers who own transmission facilities continued. These facilities are both for private and public use. All of the agreements set to expire in the course of fiscal 2008 were renewed: Enecor, Yacylec and others. The situation with the agreement for the maintenance of the Argener facilities is back on track: it had been discontinued in the absence of a regulatory framework fit for Siderar's current standards for access to its facilities. On top of its existing portfolio of agreements, Transener now has the agreement for the preventative maintenance of Fields 3 to 6 in the shunting yard of the Loma de la Lata Power Station.

Additionally, major works have been performed on the High Voltage Transmission Lines that connect the Piedrabuena Thermal Station to the Bahía Blanca Transforming Substation, geared towards its standardization as a step previous to a permanent maintenance agreement.

Therefore, at year end, the facilities served by Transener pursuant to private agreements and measured in kilometers of lines are as follows:

- 925km of 500kV lines.
- 210km of 220kV lines.
- 77km of 132kV lines.

Business Development: activities abroad

Through Transener Internacional Ltda., services continued to be supplied in Brazil during 2008. In addition to the basic supply of operations and maintenance services to investor groups in the enhancements of the interconnected grid, activities started to be deployed for the benefit of companies engaged in electricity transmission and distribution.

The above activities are mainly related to repowering actions in 230 and 138 kV lines for the benefit of Compañía de Transporte de Energía Eléctrica Paulista (CTEEP), which comprised the conditioning of the facilities for increased electricity transmission, including new foundations, changes in structures and in conductors.

Seventy-five kilometers of lines were reconditioned in 2008. Negotiations for repowering 55 kilometers in the southern region of the State of Sao Paulo are currently underway.

In its position as supplier of operations and maintenance, Transener has added a new agreement to its portfolio, namely the contract awarded to it by Compañía Minera Paracatú in the State of Mina Gerais. Under the agreement, Transener shall serve this mining company's facilities, consisting in:

500 kV Connection to the Paracatú Transforming Substation
500 kV High Voltage Electricity Line, 500-meter-long
500/230 kV Transforming Substation
230 kV High Voltage Power Line, 32-kilometer long
230/138/13.8 kV Transforming Substation
138 kV High Voltage Power Line, 700-meter long
138/13.8/0.400 kV Transforming Substation

Besides, the Company continues with the supply of operations and maintenance services to the company Abengoa in the State of Sao Paulo.

Financial situation

Given the uncertainties surrounding Transener and Transba's tariff schedules, the criterion governing Treasury activities has been one of prudence in 2008, geared towards ensuring network operation through optimized cash management to reduce risks and improve performance.

The Company has entered into futures agreements in connection with the half-yearly interest services of its indebtedness, which enabled the deployment of the Company's strategy with Peso-denominated investments.

However, and faced with the deterioration in sovereign risk ratings due to the global liquidity crisis, the risk rating was modified in line with the sovereign risk. Within this context, the risk rating agency Fitch announced in December that it would change the global rating from "B" negative to "B-" stable both in foreign and in local currency, with its local rating remaining in "A-" (Arg) stable.

The risk rating agency Standard & Poor's changed the national ratings from "raBBB+" positive to "raBBB+" stable and the global ratings from "B" stable to "B" negative for local currency and conferred the "B-" stable rating for foreign currency.

In view of the drop in the value of the debt securities issued by emerging economies on the whole, a part of the debt has been bought, for a nominal value of US\$ 21.7 million through Transba investments.

Given the repayments scheduled for the fiscal year and the investments made, net financial debt as of December 31, 2008 amounts to US\$ 214.1 million in principal, and the Company shall not have any considerable re-financing needs until the year 2013.



Empresa Distribuidora y Comercializadora Norte S.A. ("Edenor")

Edenor is Argentina's largest electricity distributor in terms of customer portfolio and electricity sold (measured both in GWh and in Pesos). This Company has been awarded a concession to distribute electricity on an exclusive basis in the North West of Greater Buenos Aires and in the North of the City of Buenos Aires, which spans 4,637 square kilometers and approximately seven million inhabitants.

The following chart summarizes Edenor's main financial indicators:

Technical Data	2007	2008
Transmission and distribution lines (Km)	34,054	34,584
Number of customers (millions)	2.5	2.5
Energy sales (GWh)	17,886	18,616
Financial Information ¹	2007	2008
Net Sales	1,981,928	2,000,198
Cost of Sales	-889,885	-934,660
Operating Income	429,201	302,915
Net Income	122,458	123,115
EBITDA	603,558	473,178
Net cash flow provided by operating activities	427,182	547,543
Net cash flow used in investment activities	-336,851	-325,380
Net cash flow used in financing activities	-21,806	-196,962
Current Assets	496,341	632,608
Non-Current Assets	3,351,265	3,502,022
Total Assets	3,847,606	4,134,630
Current Liabilities	539,565	669,078
Non-Current Liabilities	1,333,460	1,373,986
Total Liabilities	1,873,025	2,043,064
Shareholders' Equity	1,974,581	2,091,566

1. Amounts taken from the annual financial statements, in thousand Pesos.

It is to be noted that net income for the fiscal year ended December 31, 2008 was \$123,115,000 which reflects, on one hand, the positive effect of the recognition in sales of a 17.9% increase in the Company's Distribution Value Added (VAD) as per the new tariff schedule as well as the increase in the volume of energy sales due to the increase in consumption per customer and to the increase in the number of customers. On the other hand, the above figure reflects the negative financial results arising mainly from a foreign exchange loss, an increase in financial interest and also the accounting of the Income Tax charge.

The volume of the energy distributed in Edenor's area, which includes sales of energy and tolls, was 18,616 GWh. Energy purchases to meet this demand amounted to 20,863 GWh, which represents a 3.1% decrease compared to the previous fiscal year. This rate is below the 4.1% growth rate in demand and it is indicative of the lower level of energy losses compared to the previous fiscal year.

During 2008 a number of 42,578 were connected, which represents a 259 MW increase in contracted power.

Description of our assets

Commercial area

The growth in energy demand ebbed during 2008, posting an annual 3.1% which was the lowest rate in the past five years. Residential demand played a leading role in that slow-down due to the low year-on-year growth rate (4.7%), intensified deceleration amongst sectors and high share in the total volume of demand (residential consumption stands for almost 41% of demand). Users with high demands, who have a share approximately equivalent to residential users, grew on average by 4.6% in the year (two percentage points higher than last year).

Large Users

The growth in large users' demands during 2008 was 4.6%. This figure results from a 9.6% reduction in the energy demanded at the Tariff 3 and from a 21.4% increase in the toll-related energy demand. During 2008 the customers' portfolio added 204 Tariff 3 clients and 54 large users. During 2008 services were sold to Large Users for \$ 4,100,000

Although no need arose for applying for restrictions upon the supply for customers whose recorded demands were equal to, or higher than, 300 kW, the Company continued to bill additional charges for excess energy consumption in accordance with Resolution 1281/06 of the Argentine Energy Secretariat and supplementary provisions.

In the framework of the above resolution, Edenor executed the first contract for the supply of power and electricity on behalf of a customer with the Piedrabuena Power Station as from August 1.

Also in compliance with the requirements under Resolution 1281/06 of the Energy Secretariat, Edenor completed the process for the technical and commercial authorization for the Demand Measurement Systems (SMED) installed during 2007. Once these systems are fully operational, CAMMESA, each one of the customers and Edenor will have on-line data about the demand parameters in each type of supply.

The National Program for Rational and Efficient Energy Usage (Pronuree), which imposes penalties on the consumptions of customers whose records do not show savings in excess of 10% compared to the consumption in the same period of 2004, has remained in force and unaltered until November. As from December, these customers are no longer granted discounts on their savings in consumption except for toll customers, for whom discounts will continue to be in force.

Energy Losses

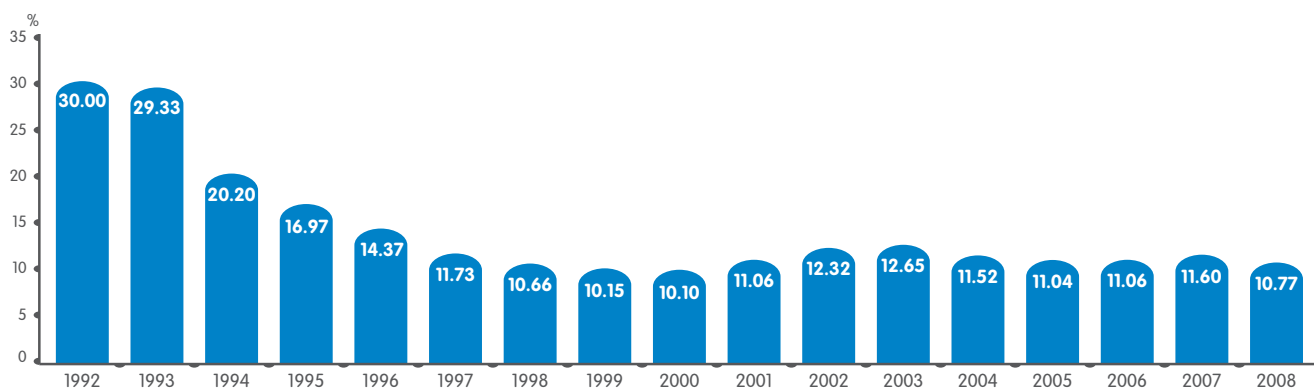
The Energy Recovery Plan was rolled out in 2008 and succeeded in decreasing energy losses by 7.7% compared to 2007. The Rolling Annual Rate (TAM) of total losses for 2008 stood at 10.77%, that is, 0.83 percentage points less than the previous year.

The above notwithstanding, the incidence of fraud continues to reveal a social and cultural issue present in different types of neighborhoods where acts of violence towards personnel involved in controlling non-technical losses have not been unheard of. This scenario requires the visible presence of Edenor's personnel to induce a behavioral change and contain unlawful connections provided by third parties, irrespective of any other specific action geared towards the recovery of energy. In addition, technological criteria have been discussed in order to render meters less vulnerable.

In part as a reaction to the above situation, the Company started to work on the most significant fraud cases with the support of a law firm and managed to have a significant number of cases reported to the authorities in order to decrease the propensity to steal energy.

The following chart illustrates the historical performance of the Rolling Annual Rate of Edenor's energy losses:

ENERGY LOSSES: ROLLING ANNUAL RATE (%)



Source: Edenor

Investments

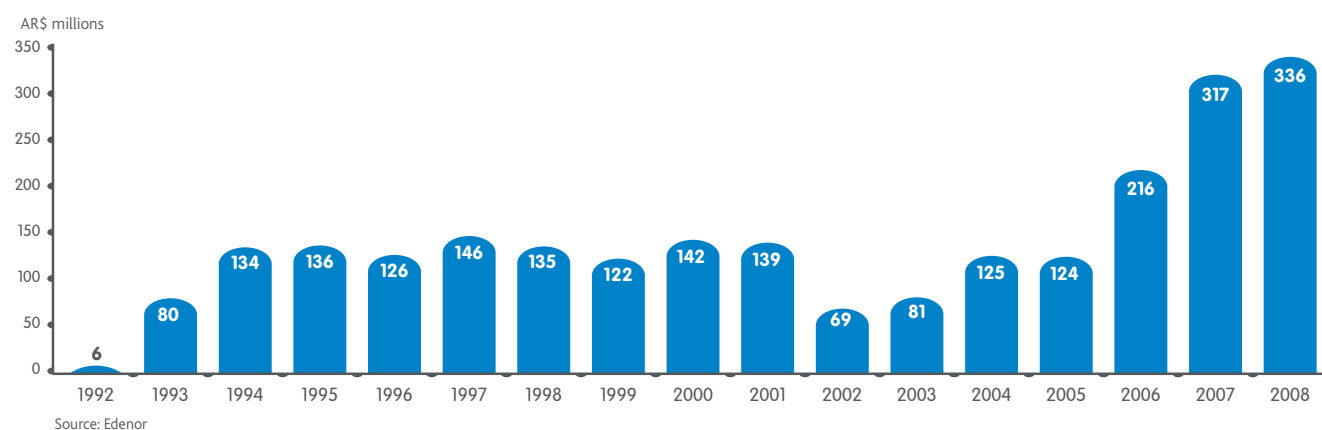
Edenor's investments during 2008 amounted to \$335,722. It must be noted that the recovery in the level of investments compared to the years following the 2002 crisis has continued, even taking into consideration that 2008 was yet another year subject to the limitations upon resource availability caused by the combination of frozen tariffs and climbing costs.

In the past year demand grew by 3.1% in energy (20,863 GWh compared to 20,233 GWh for 2007) and the maximum power demand grew by 3.1% (3,802 MW compared to the 3,687 MW for 2007).

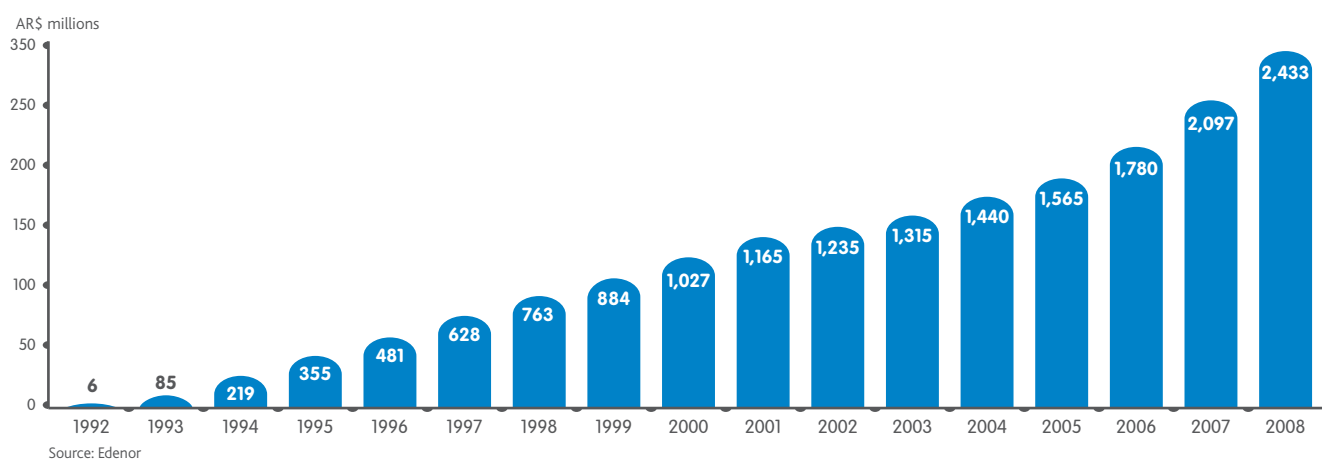
To meet this increased demand, most investments were applied to an increase in the structures available at the sites and to the connection of the new supplies. The Company's efforts in containing fraud and delinquency indicators and in maintaining its service and product quality continued, and it made major investments for the protection of the environment as it suppressed its DPC-equipped transformers and implemented outdoor safety measures.

Edenor's historical investments from the start of its activities in 1992 to the date hereof amount to \$2,433.1 million. The annual distribution of said investments has been illustrated in the following charts:

EDENOR'S ANNUAL INVESTMENT (AR\$ million)



EDENOR'S ACCUMULATED INVESTMENT (1992-2008) (AR\$ million)



Financial Indebtedness

As of December 31, 2008, Edenor's total financial indebtedness amounted to \$940,393,000, including accrued interest for \$9,474,000. Compared to the previous year, financial indebtedness net of cash and cash equivalents and short-term investments decreased by \$63,841,000 (7.3%) as a result of the repurchases made. The profile of the Company's current indebtedness points to an average maturity of approximately 8.5 years and to an average interest rate estimated at 10.4%.

As of the end of fiscal 2008, Standard & Poor's conferred to the Company's Program of Negotiable Obligations for US\$ 600 million a "raA" rating, with a stable outlook at the national scale and a "B-" rating at the international scale. Ratings "raA", with a stable outlook are indicative

Description of our assets

of the expectations that Edenor's good cash flow generation may allow the Company to finance its significant plan of investments and honor a manageable schedule of maturities in 2008 and 2009. Additionally, this trend incorporates also the deterioration in Argentina's business environment, its high political and regulatory risk that has translated into the postponement for 2009 of Edenor's total concession agreement. For the rating to rise, the business environment in Argentina must necessarily improve.

In turn, Moody's Latin America maintained its B2 rating at the global scale and a A1.ar rating at the national scale, with stable outlook, for the various classes of notes issued by Edenor. These ratings are indicative of the improvement in the Company's financial position after the agreement concerning the tariff adjustment to be applied to non-residential customers approved by the Government though they still take into consideration the nature of the electricity market in Argentina. These ratings are illustrative of the uncertainties still prevailing in the sector and the instability of the regulatory framework governing Argentina's electricity market.

In order to hedge against oscillations in the exchange rate between the US Dollar and the Argentine Peso, Edenor entered into derivatives instruments agreements with Merrill Lynch (on the basis of the Emerging Markets Trade Association (EMTA) models) to cover debt interest services in 2008 and 2009, in connection with the Senior Notes (negotiable obligations) maturing in October 2017 and in connection with the Par, Floating Rate Notes maturing in December 2016. These instruments secure economic and financial coverage over the foreign currency-denominated amounts that the Company shall have to pay in these three interest maturity dates in the event of fluctuations in the foreign exchange rate. The average implicit foreign exchange rates for 2008 and 2009 as established in such instruments is US\$1=AR\$ 3.42 in both cases.

8. Human Resources

In the Compensation and Benefit area, wage adjustments were approved in view of the inflationary and market environment, based on wage surveys carried out by top consulting companies. In addition, a Variable Compensation System was approved for top management, which allows for individual assessment and achievement of targets. Several benefits in the Group's companies were analyzed and arranged under one single policy, contributing to the Company's integration.

In the Training and Development area, a Performance Assessment Procedure was approved for all the personnel, which enables the individual assessment and compensation of our employees through modern compensation tools. Moreover, the investment in several postgraduate programs for employees was approved in order to accompany them in their development in the corresponding areas of knowledge. Several projects were started, which enabled employees with specific skills to contribute with their knowledge and abilities to different generation plants. In addition, new career development opportunities were opened for employees from all plants. Finally, the implementation of the SAP tool was accompanied by an important training process.

In the Labor Relations area, negotiations were started with the three union groups existing in each plant, producing a positive result and maintaining conflict level in zero.

The priority of Human Resources was to contribute to the cultural integration between the generation plants and the other Group's companies. For this purpose, the Intranet was launched as a virtual space of information, encounter and integration between Plants and the office in Buenos Aires, and the Business Conduct Code was approved and published as a unique general guideline of ethical principles and conduct within the Company and with third parties.

For the year 2009, Human Resources has assumed the challenge of continuing aligning Pampa with policies and practices applied by top market companies, with the purpose of achieving our employees' commitment to the Company's strategic objectives whilst creating an excellent work environment.

The challenge for the next year will be to develop human resources practices that allow us to retain key personnel, evaluate future substitutions, transfer know-how and continue to favor personnel development through training, performance assessments, and target-related pay, contributing to a better work atmosphere which enables to comply with Pampa's strategies.

9. Corporate Social Responsibility

We believe this is a key component of our corporate philosophy. In Pampa, we keep a commitment to society which transcends the satisfaction of the electricity demand and is directed towards improving the quality of life of our employees, their families, and that of communities where we operate, developing projects related to education, childhood, and community development, among other issues.

We are aware that there are several corporate ways of measuring the importance of social matters: ours is characterized by the ability to define and implement, with specific actions, the Corporate Social Responsibility Programs.

We are convinced that the actions relating to Corporate Social Responsibility should optimize people's quality of life, through a social investment approach which, instead of being mere welfarism, aims at formalizing a real process of development and growth.

In order to do so, we have promoted programs which, apart from meeting basic needs, contribute to encouraging people's and social organizations' skills. Our objective is to make them sustainable.

9.1 | Corporate Social Responsibility Actions by Pampa

National Educational Program

During 2008, a multimedia educational workshop was developed, the purpose of which was to teach, in a didactic and funny way, children in EGB 1 and 2 (primary school) the meaning of energy, understanding its generation, transmission, and distribution processes, as well as the importance of its rational use, accident prevention, and protection of the environment.

This activity was carried out in 37 school institutions belonging to the communities of the four provinces in which the Company's energy generation plants are located. About 7,188 children participated in said event.

In 2009, we expect to complement this initiative, which will have a steady structure in all areas in which the Company operates, with an environmental workshop, and to extend it for a 7-month period with the purpose of covering most of the school year.

Contest "Construyendo Educación con Energía" ("Building Education with Energy")

Through this contest, we aim at reinforcing education in cities where our employees live and work, stimulating their commitment to institutions and consolidating their sense of belonging to the Company through the promotion of activities related to Corporate Social Responsibility.

"Construyendo Educación con Energía" was implemented through an invitation to personnel to submit proposals together with social organizations, schools, clubs, among others, thus participating in the definition of Social Investment Projects.

After that, the Jury, integrated by a member of each plant, members of the Board of Directors and coordinators of Corporate Social Responsibility activities, decided which the winning projects were. Those which won (up to three per office) were granted funds by Pampa.

In 2009, we expect to carry out two events, the themes of which will be decided after an analysis of the requirements of the communities in which the Company operates.

Joint Programs

In Pampa, we believe that an effective way of approaching the communities in which we operate is through team work. That is why in 2008 we joined our efforts with other organizations to carry out actions which have favored social inclusion and integration:

- **Program "Barritas Energéticas" ("Energy Bars")**. Its main objective is social support and promotion through workshops in which legume and cereal energy bars are made. The idea is to contribute to children's diet with a nutritional supplement and, at the same time, to generate a space where people can acquire skills and knowledge which may be useful for their daily lives.

Throughout 2008, students from different provincial regions distributed 70% of the bars in their schools and the remaining 30% among those who participated in the workshops.

Corporate Social Responsibility

In Salta, the workshops took place in Departamento General Güemes, where 13 institutions and 1,011 children participated. In addition, the schools from Salta benefited from the presence of the Mobile Educational Planetary, a show organized by the Todo x los Chicos (All for Children) foundation, and which was offered to 4,702 children through 58 performances.

These activities were also carried out in different cities in the province of Mendoza: San Rafael, Las Heras, Luján de Cuyo, and Godoy Cruz, where 1,020 students from 23 schools were present. In the city of Bahía Blanca, province of Buenos Aires, 283 students from 15 schools made bars which reached, throughout the year, 3,193 people. Another region which benefited from the program was the Buenos Aires Conurbation, where 49 schools were incorporated -23 from the West Area and 26 from the North Area-, corresponding to Edenor's area of influence. On the whole, 2,885 students had access to this program.

In 2009, "Barritas Energéticas" will include 30 schools in Salta, 40 in Mendoza, 30 in Bahía Blanca, 50 in the City of Buenos Aires and the Buenos Aires Conurbation, and we expect to launch this program in 20 school institutions in the province of Neuquén.

9.2 | Main Corporate Social Responsibility Actions by Edenor

Participation in ISO 26000

Edenor has continued to work at national and international level in the preparation and formulation of the first social responsibility standard led by ISO, which will be published in 2010 and which intends to be a non-certifiable guidance for all kinds of organizations which wish to deal with social responsibility issues in their daily activities.

Edenor participates as a representative of the Argentine industries group and during 2008, it attended the plenary session in Santiago, Chile. In said meeting, the standard was written, received general consent, and was called "Committee's Draft", which implies that the version approved in this plenary session will not be substantially modified.

In Argentina, this process implies a strong commitment, since several exchange areas have continued to work on the standard: Consejo Empresario Argentino para el Desarrollo Sostenible (Argentine Business Council for Sustainable Development, CEADS), Instituto de Desarrollo de Ejecutivos de la Argentina (Argentine Institute for Executive Development, IDEA), and IRAM (Argentine Institute of Standardization and Certification). Several groups of interest are included in the latter: industries, government, consumers, NGOs, unions, and the national Standardization entity. This ensures a wide and uniform participation in the process.

"Cien Libros para Nuestra Escuela" ("One Hundred Books for Our School")

This is an educational program by Edenor aimed at primary schools with unmet basic needs and located in the concession area, which is carried out in a different municipality each month: in 2008 it took place in La Matanza, San Fernando, Merlo, San Miguel, Malvinas Argentinas, Ituzaingó, and General Rodríguez.

Through this project, students are given information and a contest is organized in which the students submit models or posters based on themes such as "What's behind the light switch," "Rational energy use," "The environment," "Home Safety," and "Public space safety." The winning school will receive as a prize a library with more than 100 study and recreational books, and two computers.

Other Programs

Other programs by Edenor include: Medidores Prepagos (Prepaid Meters), Vale Luz (Light is Worth It), the Educational Programs Edenorchicos (Edenorkids) and Conexión al Futuro (Connection to the Future), among others. For more information, see Edenor's 2008 annual report.

9.3 | Main Corporate Social Responsibility Actions by Transener and Transba

Social Projects in Permanent Execution

- **Comedor Los Obreritos (Los Obreritos Soup Kitchen).** The aim is to contribute to sustainable economic development through the creation of a bakery shop so that the soup kitchen can be self-sufficient, ensuring the feeding of and support to those who are part of the soup kitchen and who are currently receiving voluntary economic support.

- **Facultad de Ingeniería – Universidad Nacional del Comahue (School of Engineering – National University of Comahue).** Thanks to this plan, voltage, current, and energy measuring devices belonging to the University were calibrated in the Company's laboratories.

- **Fundación Hospital Garran (Garrahan Hospital Foundation).** The Paper Recycling Program of the Foundation was implemented in the Head Office and Ezeiza (TRANSENER).

- **Colegio Santa Teresita (Santa Teresita School).** This program is aimed at raising awareness in the Henderson community about the need to classify garbage through conferences at the school on garbage classification and the protection of the environment, in addition to the periodic recollection of classified garbage by teams and company personnel.

For more information, see Transener and Transba's 2008 annual report.

10. Information Technology

The year 2008 meant a real transformation in Pampa's information technology department and its generation line of business. Said transformation started at the beginning of the year with the preparation of an Information Technology Strategic Plan. In said Plan, the Company decided to migrate its basic technological and application structure to a world-class structure with international safety and reliability standards.

In order to achieve this ambitious objective, three essential pillars to be carried during 2008 were set forth, which were the basis of future developments.

The first of said pillars was the implementation of a private communication network, which enabled us to connect the generation plants, the head office, the computing center, and CAMMESA. This high availability network provides both administrative and operational services. The former allow for the exchange of information for management systems, as is the case of SAP, e-mail or other applications. On the other hand, operational services are those which allow for information traffic from the Real Time Operating System (SOTR) to CAMMESA, and the implementation tasks are expected to be completed by 2009. The installation of this network in all generation plants of the group has been an important tool to achieve fluid and efficient communication among all offices. In addition, it has enabled the implementation throughout the group of common applications supported by these links.

The second pillar developed during the year was the transformation of the group's technological infrastructure. At the beginning of the year, we had an internal computing center which provided basic services with limited performance. During 2008, we worked in the transition towards an outsourced datacenter which meets the highest international reliability standards and provides the best availability levels. In addition, we worked to define and incorporate safety standards which allowed for a safer and stronger infrastructure. Regarding the e-mail tool, we migrated to a state-of-the-art platform supported by the new Microsoft technologies.

The third and last pillar of the System Strategic Plan was the implementation of SAP. In record time and with an ambitious scope, Pampa carried out the implementation of this business solution for all its generation plants. The implementation covered the following processes:

- **Administration.**
- **Business (does not include operational management).**
- **Finance.**
- **Logistics.**
- **Plant Maintenance.**

This project enabled us to set up regular administrative processes, automate manual tasks, and achieve international management and control standards. In addition, it enabled us to obtain information in due time and manner about all operations. Furthermore, the SAP implementation set the basis for a management oriented towards international standards (SOX).

11. Environmental Management

Pampa's generation companies have confirmed their environmental commitment by successfully facing the control audits for the year 2008 carried out by certifying companies, which ensure the transparency and efficiency of the assumed environmental procedures. As part of a deeper commitment towards its personnel, Central Térmica Piedra Buena certified the ISO 9000 Quality Standard and the OHSAS 18000 Occupational Safety and Health Standard.

The Environmental and Social Impact Study of the installation and operation of the new 100-MW GE LMS 100 gas turbine installed in Central Térmica Güemes was approved by the ENRE, at national level, and by the Department of Environmental Matters and Sustainable Development of the Province of Salta, at provincial level. At present, it is functioning at commercial level and the environmental controls implied in the above-mentioned study are being carried out. The installation and start-up, which involved 215,000 man hours, were carried out without environmental or personal accidents.

The ENRE has approved the Environmental Impact Study of the extension of Loma de la Lata with its combined cycle completion, which will increase its installed power to 178 MW; and the Environment Undersecretariat of the province of Neuquén has approved STAGE I, construction and operation of the new plant. The Environmental Impact Study for STAGE II, construction of water inlet and effluent disposal works, is being written in order to be submitted in February 2009 to the provincial authorities.

This stage required an extended and special barometric study and a study of underwater currents in order to perform the modeling of the effluent diffusion in the Mari Menuco lake and to determine the impact of the effluent on the lake, with the peculiarity of exceeding the conditions of the provincial authority regarding the effluent's dumping temperature so as to meet a much more demanding standard, which is that of the World Bank. Moreover, through careful excavations and training courses given by specialists, the possibilities of damaging the paleontological inheritance in the site area are minimized, since it is relatively close to the Lago Barreales paleontological site, administrated by the Centro Paleontológico Científico Educativo (Educational and Scientific Paleontological Center, CEPALB), which depends on the National University of Comahue.

This important measure, together with the investments made to minimize the environmental and social impact of the electric generation in the several plants integrating the group, reassert Pampa's and its personnel's commitment to achieving projects which are sustainable in time, and which are in harmony with the environment and the life of the communities in which its activities are carried out.

12. Fiscal Year Results

Pampa's businesses are primarily focused on the electricity sector, with the various legal entities in which the Company holds ownership interests taking part in the electricity generation, transmission and distribution segments.

The following chart summarizes the consolidated indices obtained during the fiscal year ended on December 31, 2008, compared to the same period in the four immediately preceding fiscal years:

	12.31.08	12.31.07	12.31.06	06.30.06	06.30.05
Liquidity	1.39	1.56	3.09	3.99	0.03
Creditworthiness	0.74	0.88	0.71	14.66	0.05
Immobilization of capital	0.82	0.82	0.81	0.75	0.98
Yield	0.04	0.10	0.02	0.06	1.69

According to the nature, customer portfolio and risks involved, the following business segments have been identified amongst Pampa's controlled companies:

- **Electricity Generation**, made up by the Company's direct and indirect interests in Central Térmica Loma de la Lata, Hidroeléctrica Los Nihuiles, Hidroeléctrica Diamante, Central Térmica Güemes, Central Piedra Buena, Powerco, Ingentis, Energía Distribuida and by shareholdings in other companies in the electricity generation sector.
- **Electricity Transmission**, made up by Pampa's indirect interest in Transener and its subsidiaries.
- **Electricity Distribution**, made up by Pampa's indirect interest in Edenor.
- **Holding**, made up by Pampa's very own operations, such as advisory services and investments both in financial instruments and real estate and in other companies not related to the electricity sector.

Fiscal Year Results

CONSOLIDATED RESULTS (As of December 31st, 2008)	GENERATION	TRANSMISSION
Sales	1,780,683,218	228,522,916
Other sales	8,043,702	-
Total Sales	1,788,726,920	228,522,916
Cost of sales	(1,415,834,875)	(124,385,850)
Gross Income	372,892,045	104,137,066
Administrative expenses	(44,643,639)	(26,251,074)
Selling expenses	(9,716,298)	-
Sub-total	318,532,108	77,885,992
Director's Options	-	-
Fixed assets depreciation	(41,097,605)	(34,359,246)
Intangible assets amortization	(18,757,097)	-
Other assets amortization	-	(22,732,206)
Goodwill amortization	(14,733,121)	800,550
Operating results	243,944,285	21,595,090
Financial and holding results:		
Generated by Assets	31,448,002	698,116
Generated by Liabilities	(111,570,786)	(53,224,325)
Other income and expenses, net	(1,361,312)	9,782,738
(Loss) Gain before income tax and minority interest	162,460,189	(21,148,381)
Income tax	(62,707,294)	(7,346,920)
Minority interest	(37,652,814)	16,090,305
Net income (Loss) for the year	62,100,081	(12,404,996)
CONSOLIDATED ASSETS AND LIABILITIES (As of December 31st, 2008)	GENERATION	TRANSMISSION
Total assets	3,011,277,350	998,976,381
Total liabilities	1,466,974,481	556,245,297

DISTRIBUTION	HOLDING	DELETIONS	CONSOLIDATED
2,000,198,000	4,301,627	-	4,013,705,761
-	60,167,879	(68,085,488)	126,093
2,000,198,000	64,469,506	(68,085,488)	4,013,831,854
(1,267,992,924)	(4,827,522)	26,991,514	(2,786,049,657)
732,205,076	59,641,984	(41,093,974)	1,227,782,197
(137,951,000)	(75,735,517)	41,093,974	(243,487,256)
(124,622,000)	(3,545,412)	-	(137,883,710)
469,632,076	(19,638,945)	-	846,411,231
-	(11,766,672)	-	(11,766,672)
(185,169,445)	(612,127)	-	(261,238,423)
(2,478,848)	-	-	(21,235,945)
-	-	-	(22,732,206)
(5,631,950)	(274,634)	-	(19,839,155)
276,351,833	(32,292,378)	-	509,598,830
24,153,000	336,652	(3,692,389)	52,943,381
(156,993,000)	84,089,568	3,692,389	(234,006,154)
(29,359,211)	(2,255,909)	-	(23,193,694)
114,152,622	49,877,933	-	305,342,363
(43,498,382)	4,711,470	-	(108,841,126)
(59,915,000)	-	-	(81,477,509)
10,739,240	54,589,403	-	115,023,728
DISTRIBUTION	HOLDING	DELETIONS	CONSOLIDATED
5,008,266,941	699,655,642	(579,997,774)	9,138,178,540
2,698,438,204	171,452,046	(579,997,774)	4,313,112,254

Fiscal Year Results

Analysis of the results for the year ended December 31, 2008 compared to the year ended December 31, 2007

Pampa acquired its indirect controlling stake in Transener on September 21, 2006; its interest in Hidroeléctrica Nihuiles and Hidroeléctrica Diamante on October 18, 2006; its interest in Central Térmica Güemes on January 4, 2007; the assets comprised by Loma de la Lata on May 17, 2007; a controlling stake in Central Piedra Buena on August 3, 2007 and its indirect controlling interest in Edenor on September 28, 2007.

Consequently, the consolidated results of operations for the year ended December 31, 2007 include the results of operations of Central Térmica Güemes since the beginning of January 2007, the results of operations of Central Térmica Loma de la Lata since mid-May 2007, the results of operations of Central Piedra Buena since the beginning of August 2007 and the results of the distribution segment only for the last quarter of the year. Hence, the following analysis might not furnish an adequate comparison of the consolidated results of operations for the periods presented.

Electricity Generation

The consolidated results of operations for Electricity Generation for the year ended December 31, 2008 reflect our investments for the twelve-month period beginning in January and ended in December, 2008 in Central Térmica Loma de la Lata, Hidroeléctrica Los Nihuiles, Hidroeléctrica Diamante, Central Térmica Güemes, Central Piedra Buena, Powerco, Ingentis as well as our investments in shares in other companies related to the electricity sector and for the interim period of one month and ten days ended on December 31, 2008 for Energía Distribuida. The consolidated results of operations for Electricity Generation for the year ended December 31, 2007 reflect our investments in Inversora Nihuiles S.A. and Inversora Diamante S.A. for the twelve-month period beginning in January and ended in December, 2007, in Powerco S.A., Central Térmica Loma de la Lata S.A. and Corporación Independiente de Energía S.A. for the relevant periods, in each case, starting with the acquisition or incorporation until December 2007 and the results of operations for our minority investments in Central Puerto S.A. and Endesa Costanera S.A. from the beginning of the year and until the date of their disposal.

Net sales from generation rose by 139% to Ps. 1,788.7 million for the year ended December 31, 2008 from Ps. 748.6 million for the same period in 2007, due to increased average electricity prices though mainly to the acquisition of Loma and Piedra Buena, and proof of which is that in 2008, Ps. 290.3 million correspond to sales of hydroelectrical generation and Ps. 1,498.4 million correspond to sales of thermal generation whereas for the same period in 2007, Ps. 267.3 million had reflected sales of hydroelectrical generation and Ps. 481.2 million had reflected sales of thermal generation.

Costs of sales, including the effect of fixed assets' depreciation and the amortization of intangible assets, rose by 149.4% to Ps. 1,475.1 million for the year ended December 31, 2008 from Ps. 591.5 million for the same period in 2007 due mainly to the acquisitions above mentioned. In 2008, Ps. 188 million correspond to costs of sales of hydroelectrical generation and Ps. 1,287.1 million reflect costs of sales of thermal generation whereas for the same period in 2007, Ps. 167.5 million reflect costs of sales of hydroelectrical generation and Ps. 423.9 million reflect costs of sales of thermal generation.

The main costs associated to hydroelectrical generation in 2008 were purchases of energy (Ps. 121.1 million, or 64.5% of the total), royalties and lease payments (Ps. 23.7 million, or 12.6% of the total), depreciation and amortization (Ps. 20.5 million, or 10.9% of the total) personnel expenses and fees (Ps. 12 million, or 6.4% of the total) and spare parts and maintenance (Ps. 7.4 million, or 3.9% of the total). The main costs associated to thermal generation were primarily due to consumption of fuels (Ps. 729.8 million, or 56.7% of the total), purchases of energy (Ps. 425.3 million, or 33% of the total), personnel expenses and fees (Ps. 50.9 million, or 4% of the total) and amortizations and depreciations (Ps. 38.7 million, or 3% of the total).

Gross profit from generation rose by 99.7% to Ps. 313.7 million for the year ended December 31, 2008 from Ps. 157.1 million for the same period in 2007. Gross margin declined by 16.4% to 17.5% over the sales for the year ended December 31, 2008 from 21% over the sales for the same period in 2007 mainly due to the addition of new thermal generation whose operating margin is lower than that of hydroelectrical generation.

Total selling expenses rose by 77.1% to Ps. 9.8 million for the year ended December 31, 2008 from Ps. 5.6 million for the same period in 2007 mainly due to the acquisitions already mentioned. In 2008, Ps. 2.1 million reflect hydroelectrical generation and Ps. 7.7 million reflect thermal generation whereas for the same period in 2007, Ps. 2.2 million correspond to hydroelectrical generation and Ps. 3.3 million correspond to thermal generation. Besides, administrative expenses rose by 67.1% to Ps. 45.1 million for the year ended December 31, 2008 from Ps. 27 million for the same period in 2007 mainly due to the acquisitions already mentioned. In 2008, Ps. 10.5 million correspond to hydroelectrical generation and Ps. 34.6 million correspond to thermal generation whereas for the same period in 2007, Ps. 7.8 million correspond to hydroelectrical generation and Ps. 19.2 million correspond to thermal generation. An analysis of the whole segment shows that the main administrative expenses for the year ended December 31, 2008 corresponded to fees and compensations for services rendered by third parties and salaries and social security contributions.

Total operating income (after depreciations and amortizations and the amortization of goodwill) rose by 107.2% to Ps. 243.9 million for the year ended December 31, 2008 from Ps. 117.8 million for the same period in 2007 mainly due to the acquisitions already mentioned. Total

operating margin went down by 13.3% to 13.6% over sales for the year ended December 31, 2008 from 15.7% over the sales for the same period in 2007 mainly due to the addition of new thermal generation whose operating margin is lower than that of hydroelectrical generation.

Total financial results from holdings, net, showed a Ps. 80.1 million loss for the year ended December 31, 2008 from Ps. 44 million gain for the same period in 2007. The most important captions include: a Ps. 6.1 million net loss from interest for the year ended December 31, 2008 from Ps. 5.6 million gain for the same period in 2007; foreign exchange gains, net rose by 47.4% to Ps. 17.5 million for the year ended December 31, 2008 from Ps. 11.8 million for the same period in 2007; net losses from taxes and other expenses rose by 814.2% to Ps. 27.3 million for the year ended December 31, 2008 from Ps. 3 million for the same period in 2007; net gains from holdings of financial instruments (including shares) shrank by 87.3% to Ps. 4.5 million for the year ended December 31, 2008 from Ps. 35 million for the same period in 2007; the segment did not post results from repurchases of debt for the year ended December 31, 2008 compared to a Ps. 7.3 million loss for the same period in 2007; finally, for the year ended December 31, 2008 a Ps. 61.2 million loss was posted due to the write-down of fixed assets.

Other expenses, net shrank by 46.7% to Ps. 1.4 million for the year ended December 31, 2008 from Ps. 2.6 million for the same period in 2007.

Finally, the income tax charge rose by 197.4% to Ps. 62.7 million for the year ended December 31, 2008 from Ps. 21.1 million for the same period in 2007; the charge corresponding to minority interests remained almost unchanged as it dropped by 0.2% to Ps. 37.7 million for the year ended December 31, 2008 from Ps. 37.7 million for the same period in 2007.

Therefore, net income for the generation segment decreased by 38.1% to Ps. 62.1 million for the year ended December 31, 2008 from Ps. 100.4 million for the same period in 2007.

Electricity Transmission

The results of operations for Electricity Transmission reflect our indirect interest in Transener S.A. and its subsidiaries for the twelve-month period beginning in January and ended in December, 2008 and 2007.

Net sales decreased by 9.4% to Ps. 228.5 million for the year ended December 31, 2008 from Ps. 252.4 million for the same period in 2007; according to the following detail: Ps. 130.7 million and Ps. 114 million correspond to net regulated sales, Ps. 37 million and Ps. 32.3 million correspond to the royalties for the Fourth Line, net and Ps. 60.8 million and Ps. 106 million correspond to other revenues, net, associated to other unregulated activities and services in 2008 and 2007 respectively.

Costs of sales, including the effect of fixed assets' depreciation and the amortization of intangible assets shrank by 3.3% to Ps. 178.1 million for the year ended December 31, 2008 from Ps. 184.1 million for the same period in 2007, with the main expenses being fees, salaries and social security contributions (Ps. 65.4 million and Ps. 57.3 million), materials for construction works (Ps. 19.2 million and Ps. 35.9 million), depreciation and amortization (Ps. 53.7 million and Ps. 49.9 million) and general maintenance (Ps. 12.3 million and Ps. 11.8 million), in 2008 and 2007 respectively.

Gross profit decreased by 26.1% to Ps. 50.4 million for the year ended December 31, 2008 from Ps. 68.2 million for the same period in 2007. Gross margin declined by 18.4% to 22.1% over the sales for the year ended December 31, 2008 from 27% over the sales for the same period in 2007.

Administrative expenses rose by 20.1% to Ps. 29.6 million for the year ended December 31, 2008 from Ps. 24.7 million for the same period in 2007. The most relevant captions were Ps. 12.6 million and Ps. 10 million as salaries and social security contributions, Ps. 2 million and Ps. 2 million as professional fees, Ps. 5.9 million and Ps. 4.4 million as insurance and leases and Ps. 3.4 million and Ps. 3 million as depreciation and amortization in 2008 and 2007, respectively. The Electricity Transmission segment does not post Selling expenses.

Total operating income (after depreciations and amortizations and the amortization of goodwill) dropped by 51.3% to Ps. 21.6 million for the year ended December 31, 2008 from Ps. 44.4 million for the same period in 2007. Total operating margin went down by 46.2% to 9.4% over the sales for the year ended December 31, 2008 from 17.6% over sales for the same period in 2007.

The loss from total financial results from holdings, net, rose by 22.6% to Ps. 52.5 million for the year ended December 31, 2008 from Ps. 42.8 million for the same period in 2007. The most important captions include: net loss from interest, which rose by 9.6% to Ps. 31.8 million for the year ended December 31, 2008 from Ps. 29 million for the same period in 2007; net loss from foreign exchange differences rose by 230.2% to Ps. 34.4 million for the year ended December 31, 2008 from Ps. 10.4 million for the same period in 2007; and finally, a Ps. 16.5 million gain was posted as results from debt repurchases for the year ended December 31, 2008.

Other income, net rose by 120.8% to Ps. 9.8 million for the year ended December 31, 2008 from Ps. 4.4 million for the same period in 2007.

Fiscal Year Results

Finally, the income tax charge rose by 66.2% to Ps. 7.3 million for the year ended December 31, 2008 from Ps. 4.4 million for the same period in 2007; and the gain from minority interests rose by 1,130.7% to Ps. 16.1 million for the year ended December 31, 2008 from Ps. 1.3 million for the same period in 2007.

Therefore, the net loss for the transmission segment amounted to Ps. 12.4 million for the year ended December 31, 2008 compared to Ps. 2.8 million gain for the same period in 2007.

Electricity Distribution

The results of operations for Electricity Distribution reflect our indirect interest in Edenor S.A., for the twelve-month period beginning in January and ended in December, 2008 and for the three-month period from October to December, 2007.

Net sales from distribution rose by 317.9% to Ps. 2,000.2 million for the year ended December 31, 2008 from Ps. 478.7 million for the same period in 2007, due mainly to the inclusion of the results of operations for the twelve months of 2008 compared to the inclusion of the results of operations for only three months in 2007.

Costs of sales, including the effect of fixed assets' depreciation and the amortization of intangible assets, rose by 342.2% to Ps. 1,451.4 million for the year ended December 31, 2008 from Ps. 328.2 million for the same period in 2007, with the main costs in 2008 being purchases of energy (Ps. 934.7 million), salary and social security contributions expenses (Ps. 181.3 million), amortizations and depreciations (Ps. 183.4 million) and third parties' fees (Ps. 111.7 million).

Gross profit rose by 264.7% to Ps. 548.8 million for the year ended December 31, 2008 from Ps. 150.5 million for the same period in 2007. Gross margin shrank by 12.7% to 27.4% over sales for the year ended December 31, 2008 from 31.4% over sales for the same period in 2007.

Selling expenses rose by 224.9% to Ps. 126.3 million for the year ended December 31, 2008 from Ps. 38.9 million for the same period in 2007 due mainly to the inclusion of the results of operations for the twelve months of 2008 compared to the inclusion of the results of operations for only three months in 2007. Selling expenses for the distribution segment stood for 90.4% and 85% of Pampa's total selling expenses in 2008 and 2007, respectively. The main selling expenses in 2008 include salaries and social security contributions (Ps. 36.4 million), third parties' fees (Ps. 40.5 million) and taxes, charges and contributions (Ps. 14.9 million). Also in the course of fiscal 2008 allowances for doubtful accounts were booked for Ps. 15.3 million.

Administrative expenses rose by 239% to Ps. 140.6 million for the year ended December 31, 2008 from Ps. 41.5 million for the same period in 2007, for the reasons above described. The most relevant items in 2008 were salaries and social security contributions (Ps. 49 million), third parties' fees (Ps. 32.9 million) and taxes, charges and contributions (Ps. 28.8 million).

Total operating income (after depreciations and amortizations and the amortization of goodwill) rose by 301.9% to Ps. 276.4 million for the year ended December 31, 2008 from Ps. 68.8 million for the same period in 2007 due to the inclusion of a period of results longer for 2008 than for 2007. Total operating margin went down by 3.8% to 13.8% over sales for the year ended December 31, 2008 from 14.4% over sales for the same period in 2007.

Total financial results from holdings, net, rose by 401.1% to a loss of Ps. 132.8 million for the year ended December 31, 2008 from a Ps. 26.5 million loss for the same period in 2007. The most important captions include: net loss from interest, which rose by 2,465.9% to Ps. 117.2 million for the year ended December 31, 2008 from Ps. 4.6 million for the same period in 2007; a Ps. 113.4 million foreign exchange loss, net, for the year ended December 31, 2008 compared to Ps. 0.4 million gain for the same period in 2007; gains were posted from repurchases of debt of Ps. 93.7 million for the year ended December 31, 2008 compared to a Ps. 18.9 million loss for the same period in 2007; finally, for the year ended December 31, 2008 a Ps. 7.3 million net loss was posted from holdings of financial instruments.

Other charges, net, in the amount of Ps. 29.4 million were booked for the year ended December 31, 2008 compared to other income, net, in the amount of Ps. 21.8 million booked for the same period in 2007.

Finally, the income tax charge rose by 198.5% to Ps. 43.5 million for the year ended December 31, 2008 from Ps. 14.6 million for the same period in 2007; and the charge corresponding to minority interests rose by 132.8% to Ps. 59.9 million for the year ended December 31, 2008 from Ps. 25.7 million for the same period in 2007.

Therefore, net income for the distribution segment decreased by 54.7% to Ps. 10.7 million for the year ended December 31, 2008 from Ps. 23.7 million gain for the same period in 2007.

Holding

The results of operations for the Holding segment comprise Pampa's own operations such as advisory services, operation fees and investments in financial instruments and real estate and in other companies not related to the electricity sector.

Net sales from the Holding segment rose by 732% to Ps. 64.5 million for the year ended December 31, 2008 from Ps. 7.7 million for the same period in 2007, according to the following detail: Ps. 60.2 million and Ps. 5.8 million as revenues from the advisory services rendered to our controlled companies, and Ps. 4.3 million and Ps. 2 million as revenues from real estate businesses in 2008 and 2007, respectively.

Costs of sales, including the effect of fixed assets' depreciation and the amortization of intangible assets, rose by 286.5% to Ps. 4.8 million for the year ended December 31, 2008 from Ps. 1.2 million for the same period in 2007, with these costs being mainly related to real estate transactions.

Gross profit rose by 817.5% to Ps. 59.6 million for the year ended December 31, 2008 from Ps. 6.5 million for the same period in 2007. Gross margin rose by 10.3% to 92.5% over the sales for the year ended December 31, 2008 from 83.9% over the sales for the same period in 2007.

Selling expenses remained almost stable, rising by 3.1% to Ps. 3.5 million for the year ended December 31, 2008 from Ps. 3.4 million for the same period in 2007 and they include mainly expenses related to real estate transactions.

Administrative expenses rose by 202.4% to Ps. 88.1 million for the year ended December 31, 2008 from Ps. 29.1 million for the same period in 2007, due mainly to the increase in the advisory services rendered to our controlled companies. In both periods a loss was posted for Ps. 11.8 million incurred upon recognizing for accounting purposes the reserve of warrants for Directors in the framework of the Opportunities Assignment Agreement / Warrants.

Total operating loss (after depreciations and amortizations and the amortization of goodwill) rose by 23.8% to Ps. 32.3 million for the year ended December 31, 2008 from Ps. 26.1 million for the same period in 2007.

Total gains from financial results from holdings, net, rose by 2.9% to Ps. 84.4 million for the year ended December 31, 2008 from Ps. 82 million for the same period in 2007. The most important captions include: net gains from interest, which decreased by 83.8% to Ps. 5.9 million for the year ended December 31, 2008 from Ps. 36.6 million for the same period in 2007; foreign exchange gains, net decreased by 54.3% to Ps. 19.8 million for the year ended December 31, 2008 from Ps. 43.2 million for the same period in 2007; net loss from holdings of financial instruments from Ps. 16.5 million for the year ended December 31, 2008 compared to Ps. 3.3 million net gain for the same period in 2007; finally, for the year ended December 31, 2008, Ps. 80.1 million gain was posted from repurchases of our subsidiaries' debt.

Other expenses, net rose by 261% to Ps. 2.3 million for the year ended December 31, 2008 from Ps. 0.6 million for the same period in 2007.

Finally, the benefit for recognition of income tax rose by 23.6% to Ps. 4.7 million for the year ended December 31, 2008 from Ps. 3.8 million for the same period in 2007.

Therefore, net income for the Holding segment decreased by 7.7% to Ps. 54.6 million for the year ended December 31, 2008 from Ps. 59.1 million gain for the same period in 2007.

13. Dividend Policy

Except as described under heading 6.5 of this Annual Report, we are not planning on paying cash dividends over our ordinary shares or our GDS in the short term, as all available funds and future earnings shall be retained and applied to the operation and expansion of our business. This notwithstanding, and except for the appropriations mandated by law, we are under no legal restriction whatsoever on the payment of dividends

14. Proposal by the Board of Directors

The Board of Directors submits the following to the approval by the Shareholders' Meeting:

- **The acquisition of shares issued by the Company as of December 31, 2008 for a total of AR\$120,848,801.**
- **Advanced dividends for a total of AR\$18,314,331 according to its proposal dated December 22, 2008.**
- **That retained unappropriated earnings which as of December 31, 2008 amounted to AR\$ 135,103,149 should be appropriated as follows:**

	AR\$
Statutory reserve 5%	5,751,186
Retained earnings for the following fiscal year	129,351,963

Additionally, the Board of Directors submits to the approval by the Shareholders' Meeting its proposal to reverse the accumulated voluntary reserve which as of December 31, 2008 amounts to AR\$5,163,169.

The year 2008 has been another year of challenges that could have never been overcome and projects that could have never been consummated without the endeavors of the Company's people. To the Company's people, to the shareholders who have placed their trust in us, to our customers and suppliers, we extend our warmest gratefulness.

Buenos Aires, March 9, 2009.

THE BOARD OF DIRECTORS

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2008 AND 2007, AND
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

Consolidated Statement of Income

For the years ended December 31, 2008 and 2007

(In Argentine Pesos ("Ps.") – unless otherwise stated)

	For the year ended December 31,	
	2008	2007
Sales	4,013,831,854	1,479,226,523
Cost of sales	(3,082,359,252)	(1,104,038,592)
Gross profit	931,472,602	375,187,931
Selling expenses	(139,651,639)	(45,750,215)
Administrative expenses	(262,382,978)	(117,273,072)
Goodwill amortization	(19,839,155)	(7,363,426)
Operating income	509,598,830	204,801,218
Financial and holdings results		
Generated by assets		
Interest income	45,636,644	67,779,523
Taxes and bank commissions	(13,528,736)	(5,641,959)
Foreign currency exchange difference	94,619,552	56,233,001
Impairment of other assets	(61,244,243)	-
Result of receivables measured at present value	19,464,608	(4,825,915)
Financial instrument holding result	(19,330,941)	41,846,355
Impairment of investments in subsidiaries	(12,332,109)	(702,148)
Other financial results	(341,394)	4,504,129
Generated by liabilities		
Interest expense	(194,838,841)	(59,204,134)
Foreign currency exchange difference	(205,174,088)	(11,145,561)
Result from repurchase of financial debt	190,294,189	(18,860,000)
Commissions and other expenses	(23,635,867)	(10,659,387)
Other financial results	(651,547)	(2,688,640)
Total financial and holding results, net	(181,062,773)	56,635,264
Other expense, net	(23,193,694)	23,033,038
Income before taxes and minority interest in subsidiaries	305,342,363	284,469,520
Income tax and tax on assets	(108,841,126)	(36,264,991)
Minority interest	(81,477,509)	(62,152,122)
NET INCOME FOR THE YEAR	115,023,728	186,052,407
Earnings per share (Note 3):		
Basic	0.0765	0.1688
Diluted	0.0747	0.1568

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Shareholders' Equity

For the years ended december 31, 2008 and 2007

(In Argentine Pesos ("Ps.") – unless otherwise stated)

	Common Stock		Additional Paid-In Capital	Treasury Stock	Total
	Shares	Amount			
Balance at December 31, 2006	446,000,000	446,000,000	45,000,000	-	491,000,000
Capital increase – February 2007	600,000,000	600,000,000	689,324,999	-	1,289,324,999
Setting up of reserves	-	-	-	-	-
Capital increase – September 2007	480,194,242	480,194,242	773,112,730	-	1,253,306,972
Distribution of dividends in advance	-	-	-	-	-
Reserve for Directors' options	-	-	-	-	-
Net income for the year	-	-	-	-	-
Balance at December 31, 2007	1,526,194,242	1,526,194,242	1,507,437,729	-	3,033,631,971
Setting up of reserves	-	-	-	-	-
Distribution of dividends in advance	-	-	-	-	-
Reserve for Directors' options	-	-	-	-	-
Acquisition of Company's own shares	(126,426,196)	(126,426,196)	-	126,426,196	-
Net income for the year	-	-	-	-	-
Balance at December 31, 2008	1,399,768,046	1,399,768,046	1,507,437,729	126,426,196	3,033,631,971

The accompanying notes are an integral part of these consolidated financial statements.

Reserve for Directors' options	Legal Reserve	Voluntary Reserve	Retained earnings	Total Shareholders' Equity
2,941,667	-	-	6,059,298	500,000,965
-	-	-	-	1,289,324,999
-	896,129	5,163,169	(6,059,298)	-
-	-	-	-	1,253,306,972
-	-	-	(18,314,331)	(18,314,331)
11,766,671	-	-	-	11,766,671
-	-	-	186,052,407	186,052,407
14,708,338	896,129	5,163,169	167,738,076	3,222,137,683
-	10,012,637	-	(10,012,637)	-
-	-	-	(16,797,217)	(16,797,217)
11,766,672	-	-	-	11,766,672
-	-	-	(120,848,801)	(120,848,801)
-	-	-	115,023,728	115,023,728
26,475,010	10,908,766	5,163,169	135,103,149	3,211,282,065

Consolidated Statement of Cash Flows

For the years ended december 31, 2008 and 2007
(In Argentine Pesos ("Ps.") – unless otherwise stated)

	For the year ended December 31,	
	2008	2007
OPERATING ACTIVITIES		
Net income for the year	115,023,728	186,052,407
Income tax and tax on assets	108,841,126	36,264,991
Interests accrued	71,265,610	28,641,642
ADJUSTMENTS TO RECONCILE NET INCOME TO		
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Depreciation of fixed assets	261,238,423	98,905,534
Amortization of intangible assets	21,235,945	19,906,155
Depreciation of other assets	22,732,207	22,732,205
Amortization of goodwill	19,839,155	7,363,426
Reserve for Directors' options	11,766,672	11,766,671
Setting up of provisions	(24,612,812)	(12,641,089)
Result from repurchase of financial debt	(190,294,189)	18,860,000
Foreign currency exchange differences and other financial results	288,171,871	(86,088,659)
Minority interest	81,477,509	62,152,122
Impairment of other assets	61,244,243	-
Result by sale of Fixed assets	719,880	3,727,989
Impairment of investments in subsidiaries	12,332,109	702,148
Changes in operating assets and liabilities		
Increase in trade receivables	(290,031,408)	(135,810,923)
(Increase) decrease in other receivables	(186,023,481)	170,579,932
Decrease (Increase) in materials and spare parts	5,116,662	(21,861,058)
Decrease (Increase) in inventories	17,890,874	(20,302,781)
Decrease in other assets	4,885	-
Increase in accounts payable	190,965,423	180,764,871
Increase in salaries and social security payable	68,429,533	12,628,809
Decrease in taxes payable	(38,653,072)	(22,894,534)
Increase (decrease) in other liabilities	121,933,949	(236,642,477)
Increase in provisions	14,836,250	3,838,048
Dividend payments to third parties by subsidiaries	(15,388,337)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	750,062,755	328,645,429
INVESTING ACTIVITIES		
Payment for acquisition of companies, net of cash acquired	(68,661,857)	(125,290,940)
Collection from short-term investments	202,512,850	262,456,175
Payment for short-term investments	(395,386,927)	(194,661,061)
Increase in restricted cash	(460,669,346)	-
Payment for the acquisition of fixed assets	(740,966,502)	(820,846,059)
Proceeds from the sale of fixed assets	91,904,516	589,445
Lendings granted	(1,885,989)	-
NET CASH USED IN INVESTING ACTIVITIES	(1,373,153,255)	(877,752,440)
FINANCING ACTIVITIES		
Shareholders' contributions	-	1,289,324,999
Dividends paid	(18,314,331)	(9,076,073)
Bank and financial borrowings	825,078,919	-
Payment of bank and financial debt	(402,317,850)	(87,480,627)
Third parties contributions	13,485,652	-
Acquisition of Company's own shares	(120,848,801)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	297,083,589	1,192,768,299
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(326,006,911)	643,661,288
Cash and cash equivalents at the beginning of the year	721,216,542	77,555,254
Cash and cash equivalents at the end of the year	395,209,631	721,216,542

The accompanying notes are an integral part of these consolidated financial statements,

Notes to the Consolidated Financial Statements

(In Argentine Pesos ("Ps.") – unless otherwise stated)

NOTE 1 BUSINESS OF THE COMPANY

Pampa Energía S.A. ("the Company") is an integrated electricity company which, through its subsidiaries, has a share of the electricity generation, transmission and distribution market in Argentina.

In the generation business, the Company has an installed capacity of approximately 2,003 MW, which accounts for approximately 8% of the installed capacity in Argentina. The Company is working on projects for expansion of its installed capacity by more than 200 MW.

In the transmission business, the Company through Compañía de Transporte de Energía Eléctrica de Alta Tensión Transener S.A. ("Transener") joint-controls the operation and maintenance of the high-tension transmission network in Argentina which covers some 9,300 km of lines of its own, as well as 6,000 km of high-tension lines belonging to Empresa de Transporte de Energía Eléctrica por Distribución Troncal de la Provincia de Buenos Aires Sociedad Anónima Transba S.A. ("Transba"). Transener carries 95% of the electricity in Argentina.

In the distribution business, through Empresa Distribuidora y Comercializadora Norte S.A. ("Edenor"), the Company distributes electricity among over 2.5 million customers throughout the northern region of Buenos Aires and the Greater Buenos Aires, which is covered by the concession.

The Company shares are listed for trading on the Buenos Aires Stock Exchange and form part of the Merval Index. Global Depository Shares (GDSs) representative of shares in the Company are also listed for trading on the Luxemburg Stock Exchange and on the Euro MTF Market.

On February 25, 2008, the Company's Ordinary and Extraordinary Shareholders' Meeting resolved to amend the Company's corporate name to "Pampa Energía S.A." and the respective amendment to the bylaws. On September 4, 2008, this amendment was registered with the respective enforcement agencies.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements are stated in Argentine pesos, and have been prepared in accordance with generally accepted accounting principles used in Argentina ("Argentine GAAP") and the regulations of the Comisión Nacional de Valores (the Argentine National Securities Commission or "CNV").

Basis of consolidation

The consolidated financial statements include the accounts of the Company and Inversora Nihuales S.A. ("Inversora Nihuales"), Inversora Diamante S.A. ("Inversora Diamante"), Dilurey S.A. ("Dilurey"), Powerco S.A. ("Powerco"), Corporación Independiente de Energía S.A. ("CIESA"), Central Térmica Loma de la Lata S.A. ("Loma de la Lata"), Transelec Argentina S.A. ("Transelec"), Dolphin Energía S.A. ("DESA"), IEASA S.A. ("IEASA"), Inversora Güemes ("Inversora Güemes"), Pampa Real Estate S.A. ("PRESA"), Pampa Participaciones S.A. ("Pampa Participaciones"), Pampa Participaciones II S.A. ("Pampa Participaciones II") and Pampa Generación S.A. ("Pampa Generación") over which the Company has effective control. The consolidated financial statements proportionally consolidate the accounts of Inversora Ingentis S.A. ("Inversora Ingentis") over which the Company exercises joint control. All significant intercompany balances and transactions have been eliminated in consolidation.

Notes to the Consolidated Financial Statements

(In Argentine Pesos ("Ps.") – unless otherwise stated)

Data reflecting corporate control are as follows:

Companies under direct control	Ownership interest and voting stock percentage		Companies under indirect control / Companies jointly controlled	Ownership interest and voting stock percentage	
	12.31.08	12.31.07		12.31.08	12.31.07
Generation					
Inversora Nihuales	90.27	90.27	Hidroeléctrica Los Nihuales S.A.	51.00	51.00
Inversora Diamante	91.60	91.60	Hidroeléctrica Diamante S.A.	59.00 (4)	59.00
Loma de la Lata / Powerco (1)	100.00	100.00	Central Térmica Güemes S.A.	89.68 (5)	60.00 (5)
CIESA	98.00	100.00	Central Piedra Buena S.A.	100.00	100.00
Loma de la Lata	99.99	99.99	Energía Distribuida S.A.	99.95 (6)	--
Transportation					
Transec (2)	100.00	89.76	Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A.	52.65	52.65
Distribution					
DESA (3)	98.00	100.00	Empresa Distribuidora y		
IEASA (3)	98.00	100.00	Comercializadora Norte S.A.	51.54 (7)	51.00
Holding					
Dilurey	100.00	100.00			
PRESA	99.99	99.99			
Pampa Participaciones	99.99	98.00			
Pampa Participaciones II	99.20	98.00			
Pampa Generación	98.00	--			
Inversora Güemes	99.43	--			

(1) Loma de la Lata has control over Central Térmica Güemes S.A. ("CTG") as a result of its 74.20% ownership interest in its capital and voting stock. Powerco, a fully owned subsidiary of the Company, carries an additional 15.48% interest in such company.

(2) Transec owns 50% of Compañía Inversora en Transmisión Eléctrica Citelec S.A. ("Citelec"), which in turn controls Transener with a 52.65% ownership interest in its capital and voting stock. Consequently, the Company effectively owns an indirect equity interest in Transener of 26.325%. The consolidated financial statements proportionally consolidate the accounts of Citelec.

(3) DESA and IEASA control Edenor through Electricidad Argentina S.A. ("EASA") as a result of its 100% ownership interest in its capital and voting stock of this society.

(4) As of December 31, 2008, additionally to the 59% equity interest in Hidroeléctrica Diamante S.A. through Inversora Diamante, the Company carries a direct 2% interest in such company.

(5) As of December 31, 2008, the ownership interest in the capital and voting stock of CTG reflects the shares exchange from preferred shares to ordinary shares of CTG subscribed by Loma de la Lata, as mentioned in Note 5. Additionally, the Company holds a direct 2.59% interest in CTG.

(6) Energía Distribuida S.A. ("Energía Distribuida") is a company controlled by CTG with 99.58% of its equity and votes. Additionally, Pampa Participaciones holds shares representing 0.37% of the equity and votes. The Company proportionally consolidates Energía Distribuida based on a call option agreement with the minority shareholder, Operando S.A., for 50% of the group's total equity interest in that company.

(7) See note 10 to the consolidated financial statements. Additionally, the Company holds an additional 2.26% direct interest as indicated in note 5.

Notes to the Consolidated Financial Statements

(In Argentine Pesos ("Ps.") – unless otherwise stated)

Data reflecting direct jointly controlled companies is as follows:

Company	Percentage of interest held in capital stock and possible voting rights	
	12.31.08	12.31.07
Inversora Ingentis (8)	50,00 (8)	50,00

(8) Inversora Ingentis controls Ingentis S.A. ("Ingentis") as a result of its 61% ownership interest in its capital and voting stocks.

In accordance with Argentine GAAP, the presentation of the parent company's individual financial statements is mandatory. Consolidated financial statements are to be included as supplementary information to the individual financial statements. For the purpose of these financial statements, parent company's individual financial statements have been omitted.

In preparing the consolidated financial statements as of December 31, 2008 and December 31, 2007 the Company used financial statements of its subsidiaries covering the period between the acquisition or incorporation date and the date of these consolidated financial statements.

Presentation of consolidated financial statements in constant Argentine Pesos

The consolidated financial statements have been prepared in constant monetary units, reflecting the overall effects of inflation through August 31, 1995. As from that date, in accordance with Argentine GAAP and the requirements of the control authorities, restatement of the financial statements was discontinued until December 31, 2001. As from January 1, 2002, in accordance with Argentine GAAP recognition of the effects of inflation has been resumed.

In accordance with CNV Resolution 441/03, inflation accounting was discontinued as from March 1, 2003.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting standards requires management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the recorded amounts of revenues and expenses during the reported periods. Significant estimates include those required for the accounting of depreciation and amortization, the recoverable value of assets, the income tax charge and provisions for contingencies. Actual results could differ from those estimates.

Cash and cash equivalents

Cash has been stated at its face value.

The Company considers all highly liquid temporary investments with an original maturity of three months or less at the time of purchase to be cash equivalents.

Investments

Short-term

Time deposits have been valued at cost plus accrued interest at each year-end. Investments in private securities, government bonds and mutual funds with an active market have been valued at their market price at each period / year-end.

Notes to the Consolidated Financial Statements

(In Argentine Pesos ("Ps.") – unless otherwise stated)

Other private and public securities have been valued at their face value plus accrued interests at each reporting date.

Financial trusts: Valued based on the listed year-end price of securities held by the trustee, converted at the exchange rate effective at the year-end.

Long-term

Investments in which the Company has the ability to exercise significant influence but no control (between 20% to 50% of interest in the investee), are accounted for using the equity method. The Company evaluates its equity method investments for impairment whenever event or changes in circumstances indicate that the carrying amounts of such investments may not be recoverable. The difference between the carrying value of the equity method investment and its fair value is recognized as an impairment when the loss in value is deemed other than temporary. Currently, the Company does not have any investments accounted for under the equity method.

Investments in equity securities in which the Company does not exercise control or significant influence (less than 20%) are accounted for at cost.

Receivables and liabilities

Accounts receivable and payable are stated at their nominal value plus financial results accrued at each balance sheet date. Non-current trade receivables include receivables from the generation and distribution segments which, according to its contractual terms, are expected to be realized beyond one year.

Financial receivables and debt have been valued at the amount deposited or collected, respectively, plus accrued interest based on the interest rate estimated at the time of the transaction.

Non-current financial receivables and debt have been stated at their nominal value plus financial results accrued at period or year end, if applicable. The values thus obtained do not significantly differ from those that would result from application of the prevailing accounting standards, which establish that they must be valued at the amount receivable and payable, respectively, discounted applying a rate reflecting the time value of money and the risks specific to the transaction estimated at the time of their addition to assets and liabilities, respectively.

Inventories, materials and spare parts

Inventories, materials and spare parts are stated at its replacement cost, which does not exceed their net realizable value at year end. Where necessary, an allowance is made for obsolete, slow moving or defective inventory.

Land acquired for their development and subsequent sale and fuel oil stocks were classified as inventories.

The Company classified inventories as current or non-current on the basis of the management estimate of when they will be sold.

Fixed assets

Fixed assets have been valued at cost less accumulated depreciation. Depreciation charges are generally computed under the straight-line method over the estimated useful lives assigned to the assets. Depreciation of Central Térmica Güemes and Loma de la Lata turbines and related equipment are calculated following the unit of production method. Depreciation of certain Transener assets have been calculated using technical formulas other than the straight-line method.

The cost of maintenance and repairs is charged to expense as incurred. The cost of significant renewals and improvements are added to the carrying amount of the respective assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the consolidated statement of income.

Financial costs generated by building, assembling and finishing fixed assets, when such processes extend over time are capitalized as asset cost. Capitalizing financial costs of third-parties' capital related to the years ended December 31, 2008 and 2007, amounted to ARS 69,221,838 and ARS 5,249,000, respectively, mainly related to works to expand the electric power generation plant located in Loma de la Lata and Edenor's works in progress.

Notes to the Consolidated Financial Statements

(In Argentine Pesos ("Ps.") – unless otherwise stated)

Intangible assets

Preoperating and organization costs: it corresponds to general administrative costs, studies, valuations and other costs incurred in connection with Ingentis project. These costs will be amortized as from the start-up of the corresponding electricity generation plant.

Concession contract: it corresponds to the total value assigned to the concessions of Hidroeléctrica Los Nihules S.A. ("HINISA") and Hidroeléctrica Diamante S.A. ("HIDISA") and they are amortized under the straight-line method based on the duration of the concession agreement. Concession agreements are recognized as intangible assets upon being purchased, irrespective of the goodwill that could be identified, when the intangible asset has been previously recognized by the acquired company.

Other intangible assets: it corresponds to the intangible assets identified in the acquisition of companies of the distribution segment which are amortized under the straight-line method over the period the benefits derived from each asset are obtained.

Other assets

Current

Other current assets include assets available for sale, which are valued at estimated amounts to be collected.

On September 8, 2008, the affiliate Loma de la Lata sold its heavy duty 178 MW Alstom model GT13E2 gas turbine for about Ps. 84.7 million. The sale was decided by such company's Board of Directors for considering the best available alternative taking into account the changes in the technical and economic conditions that affected the original project to extend the power generation plant located in Loma de La Lata. The transaction's total result, including the impairment already booked for the six-month period ended June 30, 2008 amounted to Ps. 61,244,243 and is included under the line Financial and holding results generated by assets in the statement of income.

Non-current

Costs incurred in relation with Transener "Fourth Line" project are included under other non-current assets. These costs are amortized under the straight-line method over the term of the operating contract, consisting in 15 years.

Goodwill

Goodwill represents the excess or shortfall in the fair value of identifiable net assets acquired compared with their acquisition cost. Positive goodwill amortization charges are calculated on a regular basis throughout their useful life, representing the best estimate for the period during which the Company expects to receive economic benefits from them. Negative goodwill is amortized on a regular basis throughout a period equal to the weighted average remaining useful life of the issuer's assets subject to depreciation and amortization.

Impairment of long-lived assets

The Company periodically evaluates the carrying value of its long-lived assets and certain intangible assets for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The carrying value of a long-lived asset is considered impaired by the Company when the expected cash flows, discounted and without interest cost, from such an asset, is less than its carrying value. In that event, a loss would be recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Previously recognized impairment loss should only be reversed when there is a subsequent change in estimates used to compute the fair value of the asset. In that event, the new carrying amount of the asset should be the lower of its fair value or the net carrying amount the asset would have had if no impairment had been recognized.

Foreign currency assets and liabilities

Assets and liabilities denominated in foreign currencies are translated at the prevailing exchange rates at year-end. Transactions denominated in foreign currencies are translated into local currency at the prevailing exchange rates on the date of transaction settlement.

Notes to the Consolidated Financial Statements

(In Argentine Pesos ("Ps.") – unless otherwise stated)

Derivative financial instruments

The Company uses derivative financial instruments in the form of foreign currency forward exchange contracts to manage foreign currency risks. The Company used U.S. dollars forward exchange contracts to offset changes in the amount of future cash flows associated with the mature of payment of interests on Corporate Bonds Class No. 7 of its subsidiary Edenor expected to occur within the next two interest maturity dates. The Company recognizes the fair value of all derivative instruments as either assets or liabilities at fair value on its balance sheet. Changes in fair value are reported in the financial and holding results in the statement of income.

Allowances and provisions

The Company provides for losses relating to accounts receivable. The allowance for losses is recognized when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the terms of the agreements.

The Company has certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings. The Company accrues liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated.

Taxes

Income tax

The Company records income taxes using the liability method, thus recognizing the effects of temporary differences between the carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be reversed and settled, considering the regulations in effect at the time of issuance of these financial statements.

The Company recognizes tax assets on its balance sheet only when their realization is deemed to be probable. A valuation allowance is recognized for that component of net deferred tax asset which is not recoverable.

Tax on assets

The Company calculates tax on assets by applying the current 1% rate on computable assets at the end of the year. This tax complements income tax. The Company's tax obligation for each year will agree with the higher of the two taxes. If in a fiscal year, however, tax on asset obligation exceeds income tax liability, the surplus will be computable as a down payment of income tax through the next ten years.

Shareholders' Equity

The account "Treasury stock" represents the face value of Company's own shares acquired, which, as of the year-end, amounted to 126,426,196 Class A shares with a face value of Ps. 1. The acquisition cost of such shares amounted to Ps. 120,848,801 and it is disclosed by adjusting retained earnings (see Note 11).

Revenue recognition

Revenue is recognized when it is realized or realizable and earned when the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered; the prices are fixed or determinable; and collectability is reasonably assured.

Revenues for each of the business segments identified by the Company are recognized when the following conditions are met:

Generation

Revenues from generation are recognized under the accrual method.

Notes to the Consolidated Financial Statements

(In Argentine Pesos ("Ps.") – unless otherwise stated)

Transmission

Revenues from transmission services include the following items: (i) connection to the system, (ii) energy transmission and (iii) transmission capacity. Revenue is recognized in income as services are provided. As stated in the concession agreements, Transener and Transba receive bonus payments when certain quality thresholds are met. Bonuses are recognized on income when earned. The Company derives additional revenues related to the transmission services from the supervision of the construction and operation of certain assets and other services provided to third parties. These revenues are recognized in income as services are rendered.

Distribution

Revenues for distribution services include electricity supplied, whether billed or unbilled. Unbilled revenue is determined based on electricity effectively delivered to customers and valued on basis of applicable tariffs. Unbilled revenue is classified as current trade receivables. The Company also recognizes revenues from other concepts included in distribution services, such as new connections, pole rental and transportation of electricity to other distribution companies. 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.

Holding

Revenues from land sales are recognized when the Company has transferred to the buyer the risk of ownership.

NOTE 3 EARNINGS PER SHARE

The Company has calculated basic earnings per share on the basis of the weighted average amount of outstanding common stock at December 31, 2008 and 2007, as follows:

	For the year ended December 31,	
	2008	2007
Net income for the year	115,023,728	186,052,407
Weighted average amount of outstanding shares	1,504,249,410	1,102,364,398
Basic earnings per share	0.0765	0.1688

Furthermore, the Company has calculated diluted earnings per share on the basis of the possible dilutive effect of the options granted, as described in Note 9. Whether the dilutive effect increases the earnings per share, such dilutions will not be considered in calculations.

	For the year ended December 31,	
	2008	2007
Net income for the year	115,023,728	186,052,407
Weighted average amount of outstanding shares	1,538,814,785	1,186,783,267
Diluted earnings per share	0.0747	0.1568

The reconciliation of the weighted average number of outstanding shares for basic and diluted earnings per share is as follows.

	For the year ended December 31,	
	2008	2007
Weighted average amount of outstanding shares for basic earnings per share	1,504,249,410	1,102,364,398
Number of shares the Company will be required to issue if all the options granted are exercised	34,565,374	84,418,869
Weighted average amount of outstanding shares for diluted earnings per share	1,538,814,785	1,186,783,267

Notes to the Consolidated Financial Statements

(In Argentine Pesos ("Ps.") – unless otherwise stated)

NOTE 4 BREAKDOWN OF CERTAIN BALANCE SHEET ACCOUNTS

	As of December 31, 2008	As of December 31, 2007
TRADE RECEIVABLES, NET		
Current		
Receivables from energy distribution	469,105,000	376,067,000
Receivable from Argentine Wholesale Electric Market	102,297,362	52,685,537
CAMMESA (1) - Generation	118,324,172	88,357,435
CAMMESA - Transmission	42,899,205	35,450,903
FONINVEMEM (2) consolidated receivable	34,168,145	24,207,891
Debtors in litigation	14,799,354	19,544,335
Related parties	(476,826)	1,497,341
Other	14,600,930	14,787,788
Subtotal	795,717,342	612,598,230
Allowance for doubtful accounts	(39,247,629)	(46,070,814)
	756,469,713	566,527,416
Non-current		
Receivables from energy distribution	65,839,000	100,300,000
CAMMESA - Generation	616,084	628,409
FONINVEMEM consolidated receivables	124,794,701	101,777,860
Other	288,405	462,576
Subtotal	191,538,190	203,168,845
Allowance for doubtful accounts	(404,795)	(404,795)
	191,133,395	202,764,050
OTHER RECEIVABLES, NET		
Current		
Tax credit	124,348,712	34,767,535
Advances to suppliers	31,105,146	3,148,762
Legal embargo	581,713	591,973
Guarantee deposits	12,441,922	4,232,844
Related parties	4,685,606	6,229,327
Prepaid expenses	12,708,135	26,297,624
Advances to employees	10,252,289	3,419,900
Financial advances	8,756,991	1,020,665
Other	30,038,368	20,015,791
Subtotal	234,918,882	99,724,421
Allowance for doubtful accounts	(4,953,770)	(3,050,000)
	229,965,112	96,674,421

(1) Compañía Administradora del Mercado Mayorista Eléctrico S.A. ("CAMMESA").

(2) Fondo para Inversiones Necesarias que permitan incrementar la Oferta de Energía Eléctrica en el Mercado Eléctrico Mayorista ("FONINVEMEM").
Fund for Investments required to increase the electric power supply in the WEM.

Notes to the Consolidated Financial Statements

(In Argentine Pesos ("Ps.") – unless otherwise stated)

	As of December 31, 2008	As of December 31, 2007
OTHER RECEIVABLES, NET (CONTINUED)		
Non-current		
Tax credit	42,367,715	122,229,673
Tax on assets	55,804,158	30,662,385
Advances to suppliers	3,653,335	3,653,335
Employee stock ownership programme	5,867,230	5,449,560
Deferred income tax asset	113,668,182	43,566,877
Prepaid expenses	1,680,000	-
Other	1,400,647	287,585
Subtotal	224,441,267	205,849,415
Allowance for doubtful accounts	(3,653,335)	(3,653,335)
	220,787,932	202,196,080
ACCOUNTS PAYABLE		
Current		
Suppliers	536,188,252	526,248,908
Fees and royalties	6,068,040	4,491,915
Related parties	604,394	155,130
Deferred income	5,326,559	5,509,560
Customer advances	31,447,767	16,407,953
	579,635,012	552,813,466
Non-current		
Deferred income	3,115,990	3,655,370
Customer advances	75,159,354	76,337,620
	78,275,344	79,992,990
FINANCIAL DEBT		
Current		
Financial loans	22,351,184	27,037,152
Bank overdrafts	119,608,288	-
Corporate bonds	484,163	2,043,321
Accrued interest	24,589,404	22,197,411
Related parties	-	2,356,500
	167,033,039	53,634,384
Non-current		
Financial Loans	63,742,777	23,662,539
Corporate bonds	1,955,058,896	1,622,368,384
Accrued interest	12,198,992	78,000
	2,031,000,665	1,646,108,923

Notes to the Consolidated Financial Statements

(In Argentine Pesos ("Ps.") – unless otherwise stated)

	As of December 31, 2008	As of December 31, 2007
TAXES PAYABLE		
Current		
Provision for income tax	52,696,772	43,656,304
Provision for tax on assets	25,799,742	15,221,102
Prepayments and advances for income tax	(28,865,900)	(21,621,461)
Prepayments and advances for tax on assets	3,237,824	-
Value added tax	41,228,362	33,910,762
Municipal contributions	23,927,956	26,024,920
Tax related to energy	28,876,750	20,823,000
Income tax withholdings to be deposited	6,989,114	5,072,930
Other	7,448,062	3,980,019
	161,338,682	127,067,576
Non-current		
Deferred tax liabilities	563,435,160	550,984,438
Value added tax debit	28,512,723	22,410,304
	591,947,883	573,394,742
OTHER LIABILITIES		
Current		
Purchase option - Transelec shares	-	38,762,432
Provision for expenses	24,204,451	18,256,841
Programme of rational use of energy	33,494,000	1,931,000
Fees for the public offering process	-	818,000
Corporate bonds issuance fees	-	4,176,000
Related parties	748,202	47,650,470
Provision for Directors and Syndics' fees	602,609	375,130
Dividends payable	16,797,217	18,314,331
Other	10,864,046	8,148,288
	86,710,525	138,432,492
Non-current		
ENRE fines and bonuses (1)	331,613,000	281,395,000
Other	394,293	3,035,020
	332,007,293	284,430,020

(1) Corresponds to sanctions imposed by the regulator in the Company's distribution business due to non-compliance of certain service quality indexes established by the respective concession contract.

Notes to the Consolidated Financial Statements

(In Argentine Pesos ("Ps.") – unless otherwise stated)

NOTE 5 ACQUISITION OF BUSINESSES

Acquisition of Inversora Nihuiles and Inversora Diamante

In May 2006, the Company entered into an agreement with Electricité de France Internacional S.A. for a total consideration of US\$ 35.5 million for the purchase of (i) 64.88% of Inversora Nihuiles, owner of 51% of Hidroeléctrica Los Nihuiles, and (ii) 56% of Inversora Diamante, owner of 59% of Hidroeléctrica Diamante. This acquisition was made jointly by Stein Ferroaleaciones S.A. ("Stein"), in which the Company and Stein hold 85% and 15%, respectively.

In June 2006, the Company independently made two offers in relation to the above hydroelectric plants: (i) an offer to Banco de Galicia y Buenos Aires S.A. for US\$ 9.3 million to purchase its shares representative of 12.5% and 12.5% of Inversora Nihuiles and Inversora Diamante, respectively, and (ii) an offer to Nucleamiento Inversor S.A. for US\$ 15.7 million to purchase its shares representative of 22.6% and 31.5% of Inversora Nihuiles and Inversora Diamante, respectively.

All the proposed acquisitions were consummated on October 16, 2006. The purchase price paid to Banco de Galicia y Buenos Aires S.A. was partially financed by the seller with a loan amounting to US\$ 4.9 million which due on June 7, 2011. This loan accrues a 3% annual interest rate.

Hidroeléctrica Diamante is an electricity generation company located in the Province of Mendoza with an installed capacity of 388.4 MW which holds (i) a provincial concession for the hydroelectric use of water from the Diamante river, located in San Rafael, Mendoza, and (ii) a national concession for the generation and commercialization of hydraulic power by its hydroelectric system.

Hidroeléctrica Nihuiles is an electricity generation company located in the Province of Mendoza with an installed capacity of 265 MW which holds (i) a provincial concession for the hydroelectric use of water from the Atuel river, located in San Rafael Mendoza, and (ii) a national concession for the generation and commercialization of hydraulic power by its hydroelectric system.

Acquisition of Transelec

On September 15, 2006, the Company acquired 89.76% of Transelec, a company holding 50% of the shares of Citelec, from Dolphin Opportunity LLC for a total consideration of US\$ 48.5 million. On the same date, a written put and a call option were signed with Marcelo Mindlin, Damian Mindlin and Gustavo Mariani, Transelec minority shareholders, comprising the remaining 10.24% interest.

On January 2, 2008 the minority shareholders of Transelec decided to exercise the option to sell 7,807,262 ordinary shares in Transelec under the terms provided for in the agreement for the merger and granting of purchase and sale options respectively.

On January 23, 2008, the Company settled its obligation with the minority shareholders of Transelec and paid the amount of approximately US\$ 12.3 million.

Citelec is the controlling company of 52.65% of Transener. Transener is the leading company in extra-high voltage electricity transmission utility services in Argentina and owns the extra high voltage electricity transmission national network, consisting of almost 9,300 kilometers of transmission lines plus approximately 5,500 kilometers of lines of its subsidiary network, Transba; therefore it operates 95% of the high-voltage lines in Argentina.

Acquisition of Central Térmica Güemes

On January 4, 2007, the Company consummated the acquisition of (i) shares representative of 100% of Dilurey capital stock (which held 90% of Powerco capital stock) and (ii) shares representative of 8% of Powerco capital stock, holding 60% of CTG for a total consideration of US\$ 16.7 million.

As part of this acquisition, the Company signed a written put and call option for the remaining of 2% of the shares in Powerco which was exercised in August 2007 for US\$ 0.5 million.

Notes to the Consolidated Financial Statements

(In Argentine Pesos ("Ps.") – unless otherwise stated)

As a result of this transactions, the Company obtained control of CTG. CTG is an open cycle generation plant with a 261 MW installed capacity at the acquisition date.

On September 18, 2007, CTG increased its capital stock for a total amount of Ps.208,000,040, issuing 180,869,600 non-voting preferred stock with a face value of Ps. 1 each, at a price of Ps. 1.15 per share for purposes of financing the expansion of its generation capacity. Preferred shares were fully subscribed by Central Loma de la Lata, one of the Company's subsidiaries. In turn, Loma de La Lata executed a call option agreement in favor of the National Government by which, if this option is exercised, it shall transfer to the National Government 54,260,880 shares of preferred stock of its interest in CTG, representing 30% Loma de La Lata's shares of preferred stock of CTG's capital stock. The National Government did not exercise its option to acquire such CTG preferred shares from Loma de La Lata during the term agreed.

Consequently and as provided by issuance conditions, on September 19, 2008, Loma de La Lata advised CTG of its decision to convert each one of its shares of preferred stock into one Class "A" share of common stock. On that date CTG's Board of Directors was informed of this decision. Based on the above, as of September 30, 2008, the Company's interest in CTG's capital stock and votes, through its subsidiaries, Loma de La Lata and Powerco, amounts to 89.68% related to total Class "A" shares of common stock.

On June 5, 2008, the Ministry of Economy issued Resolution No. 72 which approved the early settlement of the CTG's Employee Stock Ownership Plan. On October 3, 2008, the Company executed with Personnel adhering to the CTG's Employee Stock Ownership Plan a share purchase agreement, by which the Company acquired 6,290,600 Class "C" book-entry shares of common stock of CTG representing 2.58% of the capital stock and votes for total amount of Ps. 9,513,900. Under the terms and conditions of the previously mentioned agreement, the Class "C" shares acquired are converted into Class "B" shares, freely transferable to third parties.

Acquisition of Central Termica Loma de la Lata

On December 4, 2006 the Company agreed with Sociedad Argentina de Electricidad S.A ("SADESA"), a company that had acquired with Merrill Lynch, Pierce, Fenner & Smith Inc, a controlling interest in Central Puerto S.A. ("Central Puerto"), the purchase of 100% of the Loma de la Lata thermoelectric plant located in Loma de La Lata, Province of Neuquén, for a total consideration of US\$ 60.0 million. Loma de la Lata plant has an installed capacity of 369 MW.

The acquisition was consummated on May 17, 2007 once approvals were obtained.

In this connection, on the same date, the Company granted SADESA a call option over the Company's ownership in Central Puerto, representing an 8.66% ownership at that date, which could be exercised until December 4, 2007, enabling the Company to sell those shares on the Buenos Aires Stock Exchange ("BASE") at any time through that date. In November 2007, the Company sold its shares in Central Puerto in the BASE.

Acquisition of Central Piedra Buena

On July 26, 2007, the Company signed with Albanesi S.A. and certain subsidiaries controlled by Matlin Patterson an agreement, whereby the Company acquired (i) 100% of the capital stock and voting rights of CIESA, a company holding 99.99% of the capital stock and voting rights of Central Piedra Buena, and (ii) 100 % of the capital stock and voting rights of IPC Operation Limited, a company incorporated in the United Kingdom whose Argentine branch renders management services to Central Piedra Buena, for a total consideration of US\$ 85.0 million. The transaction was consummated on August 3, 2007.

Central Piedra Buena is a power plant located in Ingeniero White, Bahía Blanca, in the Province of Buenos Aires. It has a total installed capacity of 620 MW of power through two steam turbines of 310 MW, each of which with the flexibility to burn natural gas and fuel oil indiscriminately. The plant occupies 45 hectares and has two tanks with a combined storage capacity of 60,000 m³. Furthermore, Central Piedra Buena has been granted the exclusive right to use of a deep-water port for supply of fuel oil. The plant is connected to (i) the Argentine Interconnection System (SADI) through two 27-km 500-kW lines and (ii) Transportadora de Gas del Sur S.A. (TGS) through a 22-km gas pipeline of its own.

Acquisition of controlling interest in Edenor

On September 28, 2007, the Company purchased 100% of the capital stock of DESA and IEASA – companies that jointly hold 100% of the capital stock of EASA, a company holding 51% of the capital stock and voting rights of Edenor, issuing 480,194,242 shares of common stock with Ps. 1 face value at Ps. 2.61 (US\$ 0.83) per share.

Notes to the Consolidated Financial Statements

(In Argentine Pesos ("Ps.") – unless otherwise stated)

As part of the agreement, each of DESA and IEASA selling shareholder agreed not to sell, directly or indirectly, more than 10% per month of the Company's shares received as a result of the transaction during 120 days after its closing. The selling shareholders might also have the right to partly or fully sell the Company's shares received as a result of the transaction, together with future share issues by the Company, and request the Company's support to place those shares through a public or private offering, provided that in both cases the selling shareholders sell at least 60 million shares in the Company.

This transaction has been approved by the Company's Shareholders' Meeting held on August 30, 2007.

Incorporation of Inversora Ingentis

On August 6, 2007 the Company signed an agreement with Emgasud S.A. ("Emgasud") for the construction of a combined cycle power plant of approximately 400 MW fueled by natural gas and a wind farm of approximately 100 MW. This project will be carried out by Ingentis whose capital will comprise as follows: (i) 39% by the Province of Chubut and (ii) 61% by Inversora Ingentis, a special purpose company jointly controlled by the Company and Emgasud.

Inversora Ingentis signed an agreement with GE Package Power Inc. and General Electric International Inc., Argentine Branch, for the acquisition of two natural gas turbine-generators of 102.3 MW of power each for a total consideration of US\$ 70.2 million.

On October 11, 2007, the Company and Emgasud amended the shareholders' agreement originally signed on August 6, 2007, establishing Inversora Ingentis shareholding structure, represented by 20% of voting common stock, held in equal parts by the Company and Emgasud, and by 80% of non-voting preferred stock held by the Company. In none of the cases, Inversora Ingentis capital stock will exceed US\$ 40.0 million.

Inversora Ingentis Shareholders' Meeting held on October 11, 2007 increased the capital stock of Inversora Ingentis to Ps. 125,020,000, represented by 12,510,000 class A common stock held by Emgasud, 12,510,000 class B common stock held by the Company and 100,000,000 non-voting preferred stock held by the Company.

On May 13, 2008, the Ordinary Shareholders' Meeting of Inversora Ingentis S.A. approved a capital increase of Ps. 62,500,000, by issuing 31,250,000 Class "A" of common stock subscribed by Emgasud S.A. and 31,250,000 Class "B" shares of common stock subscribed by the Company.

The Company granted Emgasud an option to purchase 50% of the outstanding preferred stock in Inversora Ingentis until December 31, 2011 at a price equal to the US\$ paid at the subscription date plus a 0.03287% daily interest. 50,000,000 Inversora Ingentis non-voting preferred stock held by the Company are pledged as collateral in this connection.

On October 2, 2008, the Company and its subsidiaries, Dilurey, executed a share purchase agreement by which they transfer and sell to Emgasud S.A. ("Emgasud") all their shares (the "Shares") in Inversora Ingentis for a price of US\$ 51,000,000 (the "Price"), with all the rights and obligations that holding such shares implies, as well as the Rights to receive shares from Inversora Ingentis, or any asset, money or right, resulting from capitalizing, converting or returning revocable or irrevocable contributions, loans or any type of capital contribution in cash or in kind, made by the Company or Dilurey (the "Purchase Agreement"). To secure compliance with its obligations, the parties executed a trust and security deposit agreement (the "Trust Agreement") with Deutsche Bank S.A. (el "Trustee") transferring the trust property of all its shares in Inversora Ingentis. Likewise, Emgasud transferred as a deposit to the Trustee a promissory note issued in favor of the Company for US\$ 3,000,000 (the "Promissory Note"). As established in the Trust Agreement the parties should comply with their respective obligations under the Purchase agreement of January 5, 2009, (the "Closing Date"). See note 18 to the financial statements.

Purchase of Edenor's ADR's

The Company acquired in various market transactions 1,025,893 Edenor's ADRs, equivalent to 20,517,860 class B shares of common stock or a 2.26% interest in its common stock, at a total acquisition cost of ARS 11,014,699. The Company has considered such interest as current temporary investments.

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NOTE 6 REGULATORY FRAMEWORK

The relevant regulations that affect the Company's operations, classified by segment, are described below.

Generation

The Company and its subsidiaries generate energy which, through the SADI (interconnected system) is directly sold to the Wholesale Electric Market (WEM) at the prices approved by CAMESA. Such prices arise from supplying the WEM's electric demand with electric supply whose variable production cost is related to the less efficient machine that is currently generating power with natural gas. Revenues from the sale of power result from the sales on the WEM's spot market and sales to large client on the WEM's Forward Market through agreements executed by the parties and in accordance with the regulations established by the Energy Secretariat (ES).

Restrictions on spot prices Energy Secretariat Resolution 240/2003

By means of this resolution the ES amends the methodology to set the prices on the WEM and determines that the maximum variable production cost (CVP) recognized to set the prices is that of the most inefficient unit operating or available using natural gas. The difference between the CVP and the Node Price of the thermal machine in operation is included as Temporary Dispatch over cost (Stabilization FundSub-account). Additionally, in case of restrictions to the demand, the maximum Spot Price recognized is Ps. 120 per MW.

As the seasonal price had not followed the evolution of the WEM's spot price approved by CAMESA, the resources from the Stabilization Fund were used to meet production costs, for which during the last few years this fund underwent an ongoing def financing.

Receivables from WEM generators

In September 2003, the ES issued Resolution No. 406/03 by which it was established that, based on the depletion of available resources in the WEM's Stabilization Fund, amounts pending payments in each month are consolidated, accruing interest at an interest rate equivalent to the mean monthly yield obtained by OED-CAMESA (agency in charge of dispatch) in its financial placements, to be paid when the Fund will have sufficient funds according to a priority order of payment to agents.

This situation directly affects the Company's financial position and its subsidiaries as they carry consolidated receivables documented by CAMESA, under LVFVD (Sales Settlements with Due Date to be Defined).

Fund for Investments required to increase the electric power supply in the WEM (FONINVE MEM)

ES Resolution No. 712/04 created the FONINVE MEM to increase the available electric generation by investments in thermal generation.

By means of resolutions No. 826/04, 1427/04, 622/05 and 633/05, the Energy Secretariat invited all WEM agents creditors with LVFVD to express their decision to convert (or not) 65% of their receivables accumulated from January 2004 and through December 2006, in an interest in a combined cycle project, payable once all new combined cycles to be built with the financing of FONINVE MEM are operational.

The portion of LVFVD contributed to FONINVE MEM will be converted into US\$ and will have an annual yield at LIBO + 1% and will be received in 120 equal, monthly and consecutive installments as from the commercial authorization of the combined cycle of electric plants, provided as from the first quarter to 2010.

Consequently, on December 13, 2005, the agreements to organize the generating companies "Sociedad Termoeléctrica Manuel Belgrano S.A." and "Sociedad Termoeléctrica José de San Martín S.A." were executed. Both companies with the object to produce electric power and its commercialization in block and specifically, the management to purchase the equipment, construction, operation and maintenance of a thermal power station. The Company across some of its subsidiaries executed the respective minutes accepting the subscription of shares for both generating companies. Both generators were cleared to operate in open cycle during 2008.

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Likewise and in regards to receivables generated during 2007, on May 31, 2007, the ES issued Resolution No. 564, convoking again those private MEM creditors to extend their interest in the FONINVEMEM by contributing 50% of such receivables. Although such resolution establishes various alternatives to recover funds contributed to FONINVEMEM, the Company and its generation subsidiaries chose to allocate such receivables to alternative projects to invest in new electric generation equipment. Therefore, the required conditions were duly complied with. (a) the investment should be equivalent to three times the value of the receivables; (b) the project should consist of a contribution of a new generating plant or the installation of new generating unit within an already-existing plant; and (c) power and reserved capacity should be sold on the forward market (including Energía Plus) while exports are not allowed for the first 10 years.

Based on the investment projects presented, on June 20, 2008 by means of Brief No. 615, the ES considered verified the Company's proposal and instructed the OED to pay the 2007 LVFVD, which as of December 31, 2008, had been duly collected.

On July 24, 2008, the ES issued Resolution No. 724/08 by which it authorized the execution of MEM Committed Supply Agreements (the Agreements) with generating agents, related to the repair and or repowering of generation groups and/or related equipment. This applies to those MEM generation agents filing plans to repair and/or repower their generating equipment whose cost exceeds 50% (fifty percent) of revenues expected to receive by the Generation Agent on the "Spot" market during the life of such agreement, related to compensating items subject to subsection (c), Section 4, ES Resolution No. 406/03.

The procedure will consist in the ES evaluating the proposals filed, instructing CAMMESA as to those authorized to enter into a contract, even indicating, if convenient, the granting of loans to the Generation Agent in the event they are required to finance the disbursement to be made to meet the cost of repairs exceeding the compensation to be received for the agreement.

As of the issuance date of these financial statements, the Company and its subsidiaries were evaluating the possible alternative related to enforcement of this Resolution, which were considered to carry out the best estimate as to the collection possibilities of receivables generated during fiscal 2008.

The future evolution of this situation could call for the Government to modify some of the measures adopted or issue additional regulations. Impacts generated by the set of measures adopted to date by the Federal Government on the Company's, and its subsidiaries', economic and financial situation as of December 31, 2008, were calculated according to evaluations and estimates carried out by the management when preparing these financial statements and should be read considering such circumstances.

Energy Plus - ES Resolution No. 1281/06

The Energy Secretariat approved Resolution No. 1281/06, in which it is established that the existing energy commercialized in the Spot market will have the following priorities: (1) Demands below 300 KW; (2) Demands over 300 KW with contracts; and (3) Demands over 300 KW without contracts.

It also establishes certain restrictions to the commercialization of electricity, and implements the Energy Plus service, which consist in the offering of additional generation availability by the generating agents. These measures imply the following:

- Hydroelectric and thermal generators without fuel contracts are not allowed to execute any new contract.
- Large Users with a demand over 300 KW ("LU300") will be only allowed to contract their energy demand in the forward market for the electrical consumption made during the year 2005 ("Base Demand") with the thermoelectric plants existing in the WEM.
- The new energy consumed by LU300 over the Base Demand must be contracted with new generation at a price freely negotiated between the parties (Energy Plus).
- The New Agents joining the system must contract their whole demand under the Energy Plus service.
- For the new generation plants to be included within the Energy Plus service, they must have fuel supply and transportation contracts.

Under such standard, CTG increased its generation capacity by 98.8 MW ISO upon starting up the new LMS 100 generation unit. CTG is the first WEM generator that is in a position of providing the service to Energía Plus. For such purpose, service agreements were executed with Energía Plus for the entire Net Effective Power of the extension with various agents from the Forward Market (MAT).

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Together with the approval by the Federal Planning, Public Investment and Services Ministry of the profit margin presented by CTG by means of MPFIPyS Resolution No. 2495/08, the ES authorized through its briefs No. 625/08, 2429/08 and 2495/08, CTG agreements with 108 MAT Agents for a total power of 67 MW. Due the authorization of agreements, during September 2008, 13.02 GW were sold as mentioned above.

ES Resolutions No. 599/07 and 1070/08: Natural gas supply

Resolution No. 599/07, dated June 14, 2007, approves the proposal for the agreement with the producers of Natural Gas 2007 - 2011, aiming at supplying the domestic demand of that fuel.

Each of the signing producers undertakes to make available to the gas consumers, whose consumptions are a part of the Agreement Demand, the daily volumes which are set forth for said Signing Producer, which have been calculated according to established proportions. The Agreement Demand has been established on the basis of the gas consumption of the natural gas Internal Market of Argentina during 2006.

For the purposes of supplying the Priority Demand and performing a useful and efficient contracting of the corresponding part of the Agreement Volumes, the Signing Producers must satisfy at least the consumption profile verified in each of the supply arrangements to be renewed and corresponding to the consumption of each month of 2006.

Additionally, on October 1, 2008, the ES issued resolution No. 1070/08 setting forth a supplementary agreement with natural gas producers, and which purpose was to establish a contribution by the producers to the trust fund for subsidizing residential liquefied gas consumptions, created by Law No. 26,020. This agreement brought about new benchmark prices for natural gas for the energy sectors including that of generating electricity.

Recognition of variable costs

On October 29, 2007 the National Energy Secretariat informed that the current variable cost to be recognized to the generators of Ps.7.96/MW, shall be increased in accordance with the consumed liquid fuel, by:

- Gas-oil/Diesel Oil Generation: Ps. 8.61/MW
- Fuel Oil Generation: Ps.5.00/MW

In addition, if a thermal unit generated with natural gas of the company's own receives a remuneration in which the difference between the maximum recognized variable production cost and the node price is below 5 Ps./MW, the latter value must be recognized.

Benchmark fuel oil price

By means of Brief No. 483/08, the ES instructed CAMMESA to recognize to generators a maximum price of 60.50 US\$/barrel plus a 10% related to administrative cost plus freight, for purchases of fuel oil of national origin to generate electric power as from April 24, 2008.

Afterwards, and due to significant variations in the International fuel market as regards to listed prices of crude and its derivatives, the ES issued Brief No. 1381/08 in October 2008, instructing CAMMESA to recognize as from November 1, 2008, to generators acquiring fuel oil with proprietary resources, a weekly price resulting from considering the average of 10 listed prices (based on the benchmark listed price of Base Platts as defined in the resolution) prior to the calculation closing date, less a differential of 2.50 US\$/barrel, under FOB La Plata plus 10% of the total purchase cost of fuel, for administrative and financial expenses plus freight cost.

In the case that listed prices on the International market increase, the maximum benchmark price to be recognized will be 60.50 US\$/barrel plus 10% (ten percent) of the total purchase cost of fuel for administrative costs plus the freight cost.

Transmission

Tariff situation

Within the framework of the renegotiation of Utility contracts, in May 2005 Transener and Transba signed the Agreement

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Minutes with the Renegotiation and Analysis of Utility Contracts Unit ("UNIREN"), including the terms and conditions to adjust the Concession Contracts, which were ratified by Decrees 1460/05 and 1462/05 of the Executive Branch dated November 28, 2005.

Based on the guidelines established in the above Agreement Minutes, a Comprehensive Tariff Review was scheduled to be performed to determine a new tariff system for Transener and Transba. However, the ENRE continued with the suspension of the Public Hearing to deal with the tariff proposals submitted by both Companies, which should have become effective for Transener and Transba in February 2006 and May 2006, respectively.

On December 26, 2006 Transener requested the ENRE fulfillment of the obligations assumed in the Agreement Minutes, stating its decision to continue with the Comprehensive Tariff Review during 2007, provided that the remaining obligations assumed by the parties continue to be in force and the new system resulting from the Comprehensive Tariff Review process becomes effective as from February 1, 2008. On December 28, 2006 Transba submitted a note to the ENRE similar to that submitted by Transener, although adapted to the provisions of its Agreement Minutes as regards the terms and investments to be made.

On April 9, 2007 Transener made a new presentation to the ENRE, stating non-fulfillment of the obligations assumed in the Agreement Minutes by the latter and the serious situation arising from such non-fulfillment. Furthermore, the ENRE was requested to immediately regularize the Comprehensive Tariff Review process, and issue administrative acts aimed at recognizing in the tariff the cost increases occurred after the signing of the Agreement Minutes. In the case of Transba, on April 10, 2007 a note similar to that submitted by Transener was presented to the ENRE, which was subsequently submitted on May 28, 2007.

On June 29, 2007, the ENRE formally requested Transener and Transba to submit their tariff proposals based on the terms outlined in the respective Agreement Minutes and section 45 of Law No. 24065 and related provisions. Therefore, in September, both companies submitted their tariff and regulatory proposals to the ENRE for the five-year period 2008/2012, updating the information submitted in August 2005.

In spite of this, ENRE did address the requested tariff requirements by Transener S.A. and Transba S.A. under the RTI (integral tariff review).

In turn, by means of Resolutions Nos. 869/08 and 870/08 of July 30, 2008, the ES extended the contractual transition period of Transener S.A. and Transba S.A., respectively, through the actual effective date of the tariff schedule resulting from the RTI, establishing also such date for February 2008. Therefore, on November 7, 2008, ENRE requested once more from Transener S.A. and Transba S.A., to file the information required to carry out the RTI process of both companies, which was complied with in December 2008.

As of the date of these financial statements, ENRE has not summoned the respective Public Hearings to implement the RTI process, failing to comply with resolutions SE Nos. 869/08 and 870/08.

Lastly, as a result of the increase in labor costs arising from the application of Decree 392/04 of the Executive Branch and subsequent decrees, which have been translated into higher operating costs as from 2004, during 2007 Transener and Transba continued filing the corresponding claims with the ENRE to proceed to readjust remuneration Regulated of both societies.

In this connection in March 2008, ENRE was requested to provide a speedy resolution and proceed to recognize the increased costs that Transener S.A. and Transba S.A., respectively, had to bear. It should be noted that on April 21, 2008 and on May 5, 2008, UNIREN has stated by means of a brief that the mechanism to monitor costs and the service quality system was stated when the RTIs of Transener S.A. and Transba S.A., respectively, became effective and that upon defining such process it may not be attributed to Concessionaires and could derive in an impairment of their rights.

Likewise, Transener S.A. and Transba S.A. requested the Energy Secretariat that i) it instructed ENRE to apply a rate increase equal to the cost variation index in the Memorandum of Understanding, ii) ENRE determined the actual impact of the increased costs of the operation and investments to provide the respective adjustments retroactively as provided in the Memorandum of Understanding.

In that sense, by means of ES brief 897 of July 29, 2008, the Energy Secretariat instructed ENRE to enforce covenants 4.2, 4.3 and 11.1 of the Memorandum of Understanding even partially. Thus, on July 31, 2008, ENRE issued Resolutions Nos. 327/08 and 328/08 adapting Transener's and Transba's compensation by about 23 and 28%, respectively, effective as from July 1, 2008.

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These increased did not reflect the presentations made by both companies as regards recognizing costs established by the agreement with UNIREN since fiscal 2004 to date. Therefore, Transener and Transba have filed claims with ENRE, due to disagreements about the implementation of the previously mentioned resolutions as they contract the instruction issued by the Energy Secretariat which instructed ENRE to implement increases of 39.2 % and 43.03 % on regulated compensations effective as of June 30, 2008 for Transener S.A. and Transba S.A. respectively.

In this connection and although ENRE, by means of resolutions Nos. 637/08 and 638/08 of November 28, 2008, rejected the reconsideration appeals filed against resolutions No. 327/08 and 328/08, both appeals were filed claiming the enforcement of the partial adjustment provided by the ES. Likewise, on January 19, 2009, a request for speedy resolution was filed in order for ENRE to proceed to recognize the actual changes in costs of Transener S.A. and Transba S.A. from 2004 and its retroactive enforcement as from each six-month period.

Distribution

Tariff situation

The Executive Branch, in the exercise of the powers granted by Section 99 of the Argentine Constitution and Law No. 25561 and yours modify and complementary, proceeded to ratify the Agreement Minutes signed on February 13, 2006 within the framework of the renegotiation of the Utility contracts through Decree No. 1957/06 published in the Official Gazette on January 8, 2007.

The above Agreement Minutes contain the terms and conditions which, once the other procedures provided for in that instrument has been performed, constitute the basis that will allow the Comprehensive Renegotiation of the Concession Utility Contract between the Executive Branch and this concessionaire for the distribution and selling of electricity in federal jurisdiction.

The execution of the agreement begins the process of adjustment of the concession agreement as a means of overcoming the effects of the public emergency status, freezing and "pesification" of tariffs established by Law No. 25561. The Agreement establishes a transitional period and the later comprehensive renegotiation of the agreement through a Comprehensive Tariff Review process. The agreement contemplates in the immediate, within the transitional period: 1) an increase of the added distribution value (VAD) of 23%, retroactive at November 1, 2005, which will not apply to household customers; 2) an additional amount of 5% destined to certain works; 3) a system of installment settlement of unpaid fines; 4) the beginning of the Comprehensive Tariff Review process, in charge of the ENRE. This review will be the one that finally restructures the Concession Contract of Edenor; 5) the coming into force of a differential service quality regime for the duration of the transitional period; 6) the suspension of the claims filed before the International Centre for Settlement of Investment Disputes (ICSID) during the "transitional period" and the final waiving of these once the comprehensive tariff review is finished. This suspension also includes that of any proceedings before national or international courts, filed by the company and/or its shareholders against the Argentine National Government as a consequence of the public emergency declared by Law No. 25561, as well as the commitment not to start any proceedings before national or foreign courts against the National Government as a consequence of that emergency. Regarding EASA, it establishes the obligation to extend the surety for the foreclosure of the pledge to the class A shares it has in Edenor in favor of the National Government for any non-fulfillment of the Agreement Minutes by EASA or by Edenor itself.

The new tariff system resulting from the comprehensive tariff review process will be effective for five years and its final determination will be the responsibility of the ENRE pursuant to the provisions of Law No. 24065.

On April 30, 2007, Resolution No. 434/07 of the Secretariat of Energy was published in the Official Gazette, through which a new contract transition period was established under the terms of the Renegotiation Agreement Minutes signed on February 13, 2006. This period covers from January 6, 2002 and the date the tariff schedule resulting from the Comprehensive Tariff Review becomes effective.

On July 30, 2008, the ES issued Resolution No. 865/08 amending Resolution No. 434/07 designating February 2009 as the date on which the tariff schedule resulting from the RTI (integral tariff review) shall become effective. As of the issuance date of these financial statements, there has been no definition as to when the tariff schedule resulting from the RTI would become effective, scheduled for February 1, 2009.

On October 4, 2007, Resolution No. 1,037/2007 of the Secretariat of Energy was published in the Official Gazette, which establishes that the amounts paid by EDENOR for the Quarterly Adjustment Index (CAT) sets forth by Section 1 of Law

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No. 25,957 and the amounts corresponding to the Cost Monitoring Mechanism (MMC) be deducted from the funds resulting from the difference between collection of the additional charges derived from the application of the Good Use of Electricity Programme (PUREE) and the payment of bonuses to users under such Programme, until their transfer to the tariff is approved. In addition, the above Resolution sets forth that the adjustment for the MMC for the May 2006 – April 2007 period effective as from May 1, 2007 amounts to 9.63%.

Additionally, on October 25, 2007, Resolution No. 710/07 of the ENRE was passed, which approves the MMC compensatory procedure sets forth by Resolution No. 1,037/07.

The MMC (cost monitoring system) rate adjustment related to the period May 2006 through April 2007 together with that related to period May 2007 through October 2007 became effective as from July 1, 2008 as provided by Resolution No. 324/08.

By means of Brief No. 1383 of November 26, 2008, the ED instructed ENRE to consider using funds pending recognition from applying the MMC for the enforcement period May 2007 through October 2007, and to allow that they be deducted from surplus funds derived from applying the Programa de Uso Racional de la Energía Eléctrica (PUREE) (rational electric power use program), as previously regulated by Resolution SE No. 1037/07. The adjustment by MMC for the period May 2007 through October 2007, applicable as from November 1, 2007 is 7.56%.

On the other hand, on July 31, 2007, the ENRE issued Resolution No. 324/08 approving the values of Edenor's new tariff schedule that contemplates the partial enforcement of adjustments by MMC and passing them on to the rates. Such tariff schedule increases the distribution added value of such company by 17.9% has been applied to consumption as from July 1, 2008.

As described above, on average, tariffs for final users, depending on their consumption, will be increased by percentages ranging from 0% to 30%.

Likewise, on October 31, 2008, the ED issued Resolution No. 1169/08 approving the new seasonal benchmark prices for energy and power on the Wholesale Electric Market (MEM). Consequently, ENRE issued Resolution No. 628/08 approving the rate schedule values to be enforced as from October 1, 2008. Apart from the new seasonal benchmark prices for energy and power, the previously mentioned rate schedule established passing the ex-post pending adjustments as well as the other items related to MEM.

NOTE 7 FINANCING STRUCTURE

The indebtedness structure of our subsidiaries as of December 31, 2008 is mainly made up of the following corporate bonds, before giving effect to the repurchases mentioned in the following paragraph:

Subsidiary company	Corporate Bonds	Issuance date	Amount in Thousands US\$	Agreed rate	Final maturity
Transener	At par at fixed rate	Dec-20-2006	220,000.	8.875%	2016
Edenor	At par at variable rate	Apr-24-2006	12,656.	Libor + 0% to 2% (incremental)	2019
	At par at fixed rate	Apr-24-2006	80,048.	3% to 10% (incremental)	2016
	At par at fixed rate	Oct-9-2007	220,000.	10.5%	2017
EASA	At par at fixed rate	Jul-19-2006	12,874.	3% to 5% (incremental)	2017
	At a discount at fixed rate	Jul-19-2006	73,957.	2.125% to 7% (incremental)	2016
CTG	At par at fixed rate	Oct-3-2003	6,069.	2%	2013
	At par at fixed rate	Jul-20-2007	22,030.	10.5%	2017
Loma de la Lata	At a discount at fixed rate	Sep-8-2008	178,000.	11.25%	2015

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As of December 31, 2008, the Company and its subsidiaries acquired corporate bonds of various subsidiaries at their respective market value for a total face value of US\$ 127.2 million. Due to these debt-repurchase transactions, the Company and its subsidiaries posted consolidated income of ARS 190,294,189 disclosed in the line "Results of repurchase of financial debt" in financial and holding results generated by liabilities.

Below are describe the main characteristics of the indebtedness of each of the subsidiaries:

TRANSENER

In October 2006 Transener started a process for refinancing its outstanding financial debt, offering to the bondholders the repurchase of Class 6 and Class 8 Corporate Bonds at par value in cash, and to fully redeem Class 7 and Class 9 Corporate Bonds issued at a discount, obtaining the approval of approximately 76% of them.

To finance the purchase offer and the redemption of the mentioned bonds, Class 1 Corporate Bonds for US\$ 220 million were issued. These new securities with a final maturity on December 15, 2016 bear interest at an annual rate of 8.875% and shall be repaid in four equal installments on December 15, 2013, 2014, 2015 and 2016. Class 1 Corporate Bonds have been authorized for public offering in Argentina pursuant to the provisions of CNV Resolution No. 15,523 dated November 30, 2006.

The settlement of the purchase offer in cash of the Class 6 and Class 8 Corporate Bonds at Par, the full redemption of the Class 7 and Class 9 Corporate Bonds at a discount, and the issuance of the new Class 1 Corporate Bonds took place on December 20, 2006.

Under the refinancing terms, Transener and its restricted subsidiaries are subject to complying with a series of restrictions, among which we may highlight limitations to indebtedness, sale of assets, transactions with shareholders and subsidiaries and making control change in under certain circumstances. At the date of issuance of these financial statements Transener and its subsidiaries had fulfilled these obligations.

EDENOR

Corporate Bonds Programme

On October 9, 2007, Class 7 Corporate Bonds for US\$ 220 million were issued under the public offering regime for a term of ten years, at par value, accruing interest at an annual fixed rate of 10.5%, payable on April 9 and October 9 of each year, the first service of which was on April 9, 2008, the principal being amortized in a down payment on October 9, 2017.

Proceeds from the issuance of these Corporate Bonds were used to repaid existing outstanding Corporate Bonds with maturity in 2014.

Derivative financial instruments

During the year ended December 31, 2008, Edenor executed transactions with derivative financial instruments to ensure the exchange rate of cash flows related to three maturities of interest on financial debt, Corporate Bonds at par at variable interest rate and Corporate Bonds Class No. 7, for US\$ 6.8 million and US\$ 34.7 million, respectively, through December 2009.

At December 31, 2008 Edenor holds financial instruments to be hedge against the fluctuation of exchange rate in connection with US\$ financial obligations mentioned above. Since these transactions have not been designated as hedge instruments, Edenor has accounted for these derivative instruments at their net realizable value or cancellation value, depending if it relates to assets or liabilities with changes in the financial results, in the statement of income.

EASA

Financial debt renegotiation – Main obligations

As established in the issuance prospectus of its corporate bonds, the main obligations assumed by EASA consist in limitations to: (i) indebtedness; (ii) certain transactions with shareholders; (iii) level of operating expenses; and, (iv) restricted payments (among others, payments of dividends, fees to shareholders, banned investments).

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At the date of the issuance of the Company's financial statements, EASA complies with its obligations as established in the trust agreement relating to the Corporate Bonds issued after having completed the restructuring process of its financial debt.

On the dates provided in the issuance conditions, EASA paid interest related to the New Corporate Bonds, capitalizing the portion of interest accrued from the coupon in kind. Considering such interest capitalization, debt amounts as of December 31, 2008, are as indicated in this note.

CENTRAL TÉRMICA GÜEMES

Exchange of Corporate Bonds

On June 12, 2007 CTG launched an exchange offer of all outstanding Series A Corporate Bonds amounting to US\$ 31.7 million and Series B Corporate Bonds amounting to US\$ 21.9 million with maturity in 2013 ("Bonds 2013"). The exchange offer was authorized by resolutions adopted by the Shareholders' Meeting held on June 28, 2007 and by the Board of Directors Meetings held on June 12, 2007, June 21, 2007 and June 28, 2007.

The above mentioned Shareholders' Meeting approved the issuance of unsecured and unsubordinated non-convertible US dollar-denominated Corporate Bonds up to US\$ 34.8 million.

On July 20, 2007, date of expiration of the exchange offers, CTG received the acceptance of 88.7% of the holders of the total debt subject to restructuring. The exchange took place on July 25, 2007, date on which CTG, under the conditions offered to and accepted by the participating bondholders:

- Issued US\$ 22.0 million Corporate Bonds accruing interest at a rate of 10.5%, falling due on September 11, 2017 ("Bonds 2017");
- Paid US\$ 8.9 million in cash to the holders that exercised this option; and
- Paid US\$ 0.3 million in cash of accrued and unpaid interest at the date of the exchange, plus a cash payment of US\$ 0.1 million for holders that accepted the offering in advance.

The Corporate Bonds were authorized by the CNV on July 11, 2007 in conformity with the certificate N° 320. Corporate Bonds have been also authorized for trading on the Buenos Aires Stock Exchange and the Mercado Abierto Electrónico.

Amendments to covenants of Corporate Bonds

On December 23, 2008, and on January 20, 2009, GTG completed the process to amend certain restrictive covenants of its Bonds 2007 and Bonds 2013, respectively. The main objective of these approved amendments is to change certain restrictive covenants to reflect the current financial position and business prospects of CTG and grant CTG the ability of assuming debt and encumbrances that are reasonable considering its EBITDA and its debt service capacity.

The approved amendments allow CTG, among others to:

- Incur in additional debt for up to US\$ 30 million for any purpose, irrespective of its indebtedness.
- Incur in additional debt as long as the debt ratio of its outstanding debt and EBITDA does not exceed the 3 to 1 ratio (excluding up to US\$ 30 million of additional permitted debt).
- Incur in additional debt or guarantee incurred debt to finance or refinance the acquisition, construction, improvement or development of any other asset, including the new generation unit at CTG.

Global programme of securities representing short-term debt

On July 21, 2008, the Ordinary and Extraordinary Shareholders' Meeting of CTG approved the creation of a Global Programme of securities representing short-term debt up to a maximum amount outstanding at any time that may not exceed Ps. 200 million or the equivalent amount in other currencies, under which CTG may issue corporate bonds in various classes and/or series, each one of them with an amortization term of up to 365 days or a shorter or longer term that in the future applicable regulations may contemplate. Such Meeting delegated to CTG's Board of Directors the power to establish certain conditions of the Programme and the opportunity of issuance and other terms and conditions of each class and/or series of corporate bonds to be issued under the Programme.

As of December 31, 2008, CTG has not issued any class and/or series of corporate bonds under this Programme.

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CENTRAL PIEDRA BUENA S.A.

On June 18, 2008, the Ordinary and Extraordinary Shareholders' Meeting of CPB approved the creation of a global programme for the issuance of securities representing short-term debt (the "VCP") in the form of simple corporate bonds non-convertible into shares, denominated in pesos, US dollars or any other currency with or without guarantee, either subordinated or not, for a maximum outstanding amount at any time that may not exceed Ps. 200 million, with an amortization term of up to 365 days, or at a longer term that applicable rules may contemplate (the "Programme"). Such Meeting delegated to CPB's Board of Directors the power to establish certain conditions of the Programme and the opportunity to issue and other terms and conditions of each class and/or series of corporate bonds to be issued under the Programme.

Additionally, on February 26, 2009, the General Ordinary and Extraordinary Shareholders' Meeting of CPB approved an amendment to the Programme in order to give CPB the alternative of issuing VCPs under the form of serial promissory notes, giving more flexibility for the placement of VCP among institutional investors in the corporate debt market.

As of December 31, 2008, CPB has not issued any class and/or series of VCP under the Programme.

LOMA DE LA LATA

Financing for Loma de La Lata s' Project

On May 30, 2008, Loma de la Lata entered into two facility agreements with ABN AMRO Bank N.V. and Standard Bank Plc., as lenders, and ABN AMRO Bank N.V., Argentine Branch, for financing a part of the costs to be incurred in connection with Loma de la Lata's current expansion project (converting such plant's existing generation units into a combined cycle-gas fired power plant which has a total cost of approximately US\$ 205 millions). The facility agreements provided for the issuance of letters of credit for an aggregate amount of US\$ 88.2 million (in addition to other fully collateralized letters of credits issued by ABN AMRO Bank N.V. for an aggregate amount of US\$ 66.5 million), and set forth the financial commitments granted by such banks to make loans in favor of Loma de la Lata for an aggregate amount of up to US\$ 80 million, which loans would mature in March 2013 (except as extended pursuant to the terms of the facility agreements).

Fees on such letters of credit accrue at an annual rate ranging from 2% to 2.5% (this fee was reduced since Loma de La Lata collateralized such letters of credit with funds from the issuance of corporate bonds, as defined below).

Due to the issuance of the corporate bonds, Loma de La Lata has made guaranteed deposit securing the funds to be disbursed under the previously mentioned letters of credit (and their related payable fees), thus replacing the obligation of making reimbursements by joint arrangers under the financing agreements and reducing, among others, the fees payables under such letters of credit.

Authorization for the issuance of Corporate Bonds of Loma de La Lata

Loma de la Lata approved by means of the Extraordinary Shareholders' Meeting held on June 24, 2008 and the Ordinary and Extraordinary Shareholders' Meeting held on July 24, 2008, the issuance of corporate bonds up to the amount of US\$ 200 million (the "Corporate Bonds") for, among other purposes, finance the Project, replacing the disbursement of the joint organizers, under the financing agreements. Such Meetings also approved the admission of Loma de La Lata into the public offering system and the application to the CNV of the respective public offering authorization of Corporate Bonds.

On September 8, 2008, Loma de Lata issued simple Corporate Bonds for a face value of US\$ 178,000,000 at 11.25%, maturing in 2015 and with a subscription price of 93.34% implying a yield through maturity of 12.95%. The capital will be amortized in five semiannual consecutive payments, the first of which will be sixty months as from the issuance and settlement date. The first four amortization payments will be for an amount equivalent to 12.5% of capital, while the fifth and last amortization payment and full settlement will be made upon maturity for an amount equivalent to 50% of the issued capital. Interest will accrue on the outstanding capital as from the issuance and settlement date and until settling all the amounts owed under the Corporate Bonds at a fixed rate equivalent to a nominal 11.25% interest rate. The interest rate will be comprised of (i) one fixed interest rate portion equivalent to a fixed nominal rate of 5% and (ii) an interest portion capitalizable at a nominal fixed 6.25% (the "Capitalizable Interest Portion").

Loma de La Lata is obliged to cancel the amounts related to all interest, however it is stated that: (i) the Capitalizable Interest Portion related to interest payable on the first two Interest Payment Date (as defined in the Prospectus for the

Notes to the Consolidated Financial Statements

(In Argentine Pesos ("Ps.") – unless otherwise stated)

issuance of Corporate Bonds) will be automatically capitalizable, and (ii) provided no Event of Default occurred for failing to pay any amount owed under the Corporate Bonds or they were declared to due and payable either fully or partially, Loma de La Lata may choose, at its sole discretion, to defer paying interest exclusively as regards the Portion of Capitalizable Interest and capitalize accrued interest related to such portion payable on the following three Interest Payment Dates (the "Option to Capitalize"). The Option to Capitalize may be exercised by Loma de La Lata only on the third, fourth and/or fifth Interest Payment Date. The option to capitalize interest could only be exercised by Loma de la Lata in the first four semiannual interest payments.

The Corporate Bonds are guaranteed by credit rights against such company and fiduciary assignment of: (a) rights to receive payments and/or claim damages arising from (i) sales of electricity (energy and/or power) resulting from the additional capacity arising from the extension project, (ii) agreements to supply natural gas, (iii) project agreements, and (iv) insurance agreements; and (b) funds deposited in guarantee to cover the amount of the fixed interest portion until the provisional reception date of the expansion works. Additionally, the corporate bonds issued are secured by PESA (shareholder controlling Loma de La Lata) as direct and main obligor (note 12 to the stand-alone financial statements).

On December 29, 2008, Dilurey executed an option agreement by which it grants an irrevocable put option on the corporate bonds issued by Loma de la Lata for US\$ 10 million, and such option may be exercised within 30 days as from September 8, 2011.

NOTE 8 SEGMENT INFORMATION

The Company is engaged on the electricity sector, with a participation in the electricity generation, transmission and distribution segments through different legal entities. Operating segments are revenue-producing components of the enterprise for which separate financial information is produced internally for management. Accordingly, the following business segments have been identified by means of its subsidiaries and based on the nature, customers and risks involved:

Generation: Made up of the direct and indirect equity interest in Loma de la Lata, Hidroeléctrica Los Nihules, Hidroeléctrica Diamante, Powerco, Central Térmica Güemes, Central Piedra Buena, Ingentis Energía Distribuida and investments in shares in other companies related to the electricity generation sector.

Transmission: Made up of the indirect equity interest in Transener and its subsidiaries.

Distribution: Made up of the indirect equity interest in Edenor.

Holding: Made up of own operations, such as advisory services and financial investments, and investments in real estate and other companies not related to the electricity sector.

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

Below is a table with the information for each segment identified by the Company as of and for the years ended December 31, 2008 and 2007:

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(In Argentine Pesos ("Ps.") – unless otherwise stated)

	Generation	Transmission	Distribution	Holding	Eliminations	Consolidated
Consolidated Statement of Income information at December 31, 2008						
Sales	1,780,683,218	228,522,916	2,000,198,000	4,301,627	-	4,013,705,761
Other sales	8,043,702	-	-	60,167,879	(68,085,488)	126,093
Total sales	1,788,726,920	228,522,916	2,000,198,000	64,469,506	(68,085,488)	4,013,831,854
Cost of sales (1)	(1,415,834,875)	(124,385,850)	(1,267,992,924)	(4,827,522)	26,991,514	(2,786,049,657)
Subtotal (1)	372,892,045	104,137,066	732,205,076	59,641,984	(41,093,974)	1,227,782,197
Selling expenses (1)	(9,716,298)	-	(124,622,000)	(3,545,412)	-	(137,883,710)
Administrative expenses (1)	(44,643,639)	(26,251,074)	(137,951,000)	75,735,517	41,093,974	(243,487,256)
Subtotal (1)	318,532,108	77,885,992	469,632,076	19,638,945	-	846,411,231
Reserve for Director's options (2)	-	-	-	11,766,672	-	(11,766,672)
Depreciation of fixed assets (3)	(41,097,605)	(34,359,246)	(185,169,445)	(612,127)	-	(261,238,423)
Amortization of intangible assets	(18,757,097)	-	(2,478,848)	-	-	(21,235,945)
Amortization of other assets	-	(22,732,206)	-	-	-	(22,732,206)
Amortization of goodwill	(14,733,121)	800,550	(5,631,950)	(274,634)	-	(19,839,155)
Operating results	243,944,285	21,595,090	276,351,833	32,292,378	-	509,598,830
Financial and holding results						
Generated by assets	31,448,002	698,116	24,153,000	336,652	(3,692,389)	52,943,381
Generated by liabilities	(111,570,786)	(53,224,325)	(156,993,000)	84,089,568	3,692,389	(234,006,154)
Other income and expenses, net	(1,361,312)	9,782,738	(29,359,211)	(2,255,909)	-	(23,193,694)
Income before taxes and minority interest in subsidiaries	162,460,189	(21,148,381)	114,152,622	49,877,933	-	305,342,363
Income tax and tax on assets	(62,707,294)	(7,346,920)	(43,498,382)	4,711,470	-	(108,841,126)
Minority interest in subsidiaries	(37,652,814)	16,090,305	(59,915,000)	-	-	(81,477,509)
NET INCOME (LOSS) FOR THE YEAR	62,100,081	(12,404,996)	10,739,240	54,589,403	-	115,023,728
	Generation	Transmission	Distribution	Holding	Eliminations	Consolidated
(1) Net of depreciation and amortization						
(2) Allocated to administrative expenses						
(3) Charges to:						
Cost of sales	(59,226,686)	(53,696,616)	(183,386,293)	-	-	(296,309,595)
Selling expenses	(129,929)	-	(1,638,000)	-	-	(1,767,929)
Administrative expenses	(498,087)	(3,394,836)	(2,624,000)	(612,127)	-	(7,129,050)
Total Assets	3,011,277,350	998,976,381	5,008,266,941	699,655,642	(579,997,774)	9,138,178,540
Total Liabilities	1,466,974,481	556,245,297	2,698,438,204	171,452,046	(579,997,774)	4,313,112,254

Notes to the Consolidated Financial Statements

(In Argentine Pesos ("Ps.") – unless otherwise stated)

	Generation	Transmission	Distribution	Holding	Eliminations	Consolidated
Consolidated Statement of Income information at December 31, 2007						
Sales	745,137,303	252,361,171	478,684,000	-	-	1,476,182,474
Other Sales	3,440,000	-	-	7,749,083	(8,145,034)	3,044,049
Total sales	748,577,303	252,361,171	478,684,000	7,749,083	(8,145,034)	1,479,226,523
Cost of sales (1)	(552,782,538)	(134,229,191)	(280,355,886)	(1,248,912)	1,000,000	(967,616,527)
Subtotal (1)	195,794,765	118,131,980	198,328,114	6,500,171	(7,145,034)	511,609,996
Selling expenses (1)	(5,407,993)	-	(38,310,000)	(3,439,020)	2,114,966	(45,042,047)
Administrative expenses (1)	(26,743,237)	(21,666,714)	(40,429,000)	(17,283,857)	5,030,068	(101,092,740)
Subtotal	163,643,535	96,465,266	119,589,114	(14,222,706)	-	365,475,209
Reserve for Director's options (2)	-	-	-	(11,766,671)	-	(11,766,671)
Depreciation of fixed assets (3)	(20,284,868)	(30,001,377)	(48,534,259)	(85,030)	-	(98,905,534)
Amortization of intangible assets	(18,827,525)	(185,688)	(892,942)	-	-	(19,906,155)
Amortization of other assets	-	(22,732,205)	-	-	-	(22,732,205)
Amortization of goodwill	(6,769,366)	813,927	(1,407,987)	-	-	(7,363,426)
Operating results	117,761,776	44,359,923	68,753,926	(26,074,407)	-	204,801,218
Financial and holding results						
Generated by assets	59,965,546	7,617,485	6,429,000	85,180,955	-	159,192,986
Generated by liabilities	(15,996,479)	(50,460,346)	(32,939,000)	(3,161,897)	-	(102,557,722)
Other income and expenses, net	(2,554,496)	4,429,977	21,782,456	(624,899)	-	23,033,038
Income (loss) before taxes and minority interest in subsidiaries	159,176,347	5,947,039	64,026,382	55,319,752	-	284,469,520
Income tax and tax on assets	(21,083,513)	(4,420,171)	(14,573,281)	3,811,974	-	(36,264,991)
Minority interest in subsidiaries	(37,717,519)	1,307,397	(25,742,000)	-	-	(62,152,122)
NET INCOME (LOSS) FOR THE YEAR	100,375,315	2,834,265	23,711,101	59,131,726	-	186,052,407

	Generation	Transmission	Distribution	Holding	Eliminations	Consolidated
(1) Net of depreciation and amortization						
(2) Allocated to administrative expenses						
(3) Charged to:						
Cost of sales	(38,695,847)	(49,896,017)	(47,830,201)	-	-	(136,422,065)
Selling expenses	(151,168)	-	(557,000)	-	-	(708,168)
Administrative expenses	(265,378)	(3,023,253)	(1,040,000)	(85,030)	-	(4,413,661)
Total Assets	2,394,476,554	1,019,206,768	4,731,727,110	508,498,256	(250,675,524)	8,403,233,164
Total Liabilities	741,916,726	547,930,346	2,482,054,580	133,357,741	(250,675,524)	3,654,583,869

Notes to the Consolidated Financial Statements

(In Argentine Pesos ("Ps.") – unless otherwise stated)

NOTE 9 OPPORTUNITIES ASSIGNMENT AGREEMENT - PURCHASE OPTIONS

As approved by the Shareholders' Meeting of September 16, 2006, on September 27, 2006 the Company signed an Opportunities Assignment Agreement, whereby certain executives were committed to provide the Company with potential business opportunities encompassed by the Company's investment guidelines, exceeding US\$ 5,000,000. In consideration, the Company granted to those executives purchase options for up to 20% of capital, to be exercised at the same price per ordinary share in US\$ that shareholders have subscribed at each capital increase, adjusted in accordance with the purchase option agreements.

The purchase options could be exercised in equal portions as from the expiration of the term of one, two or three years, respectively as from the issuance date, and they will maintain their validity for a period of fifteen years as from their issuance date. If the purchase options are not exercised, they will expire after the term for their validity. The number of options and the exercise price are to be adjusted in accordance with the purchase option agreements.

CNV, through Resolution No. 15,447 dated August 7, 2006, approved the issuance of the purchase options representing 20% of the Company's capital stock, conditioning that authorization to certain actions that were fulfilled on October 9, 2006.

At December 31, 2008, the Company issued 111,500,000 purchase options, granting the right to subscribe: (i) 111,500,000 shares at an exercise price of US\$ 0.37 per share, (ii) 150,000,000 shares at an exercise price of US\$ 0.72 per share, and (iii) 120,048,560 shares at an exercise price of US\$ 0.83 per share, representative of 20% of the Company's capital stock on fully diluted basis. Option are exercisable as from September 27, 2007, 2008 and 2009.

The Company had valued the options granted at Ps. 35.3 million. A compensation expense is recognized ratably over the effective term of the Opportunities Assignment Agreement (consistent with the vesting period), with a credit to an equity reserve. As of december 31, 2008, the equity reserve amounts to Ps. 26.5 million.

The Shareholders Meeting held on August 30, 2007 approved certain amendments to the Opportunities Assignment and Purchase Option agreements, which are in force as from September 28, 2007:

- The beneficiaries of the purchase options waive their right to subscribe whenever the Company's capital is increased an additional number of common stock which allows them at any time hold 20% of the capital stock of the Company, as established in the purchase option agreements;

- The executives' purchase options other than purchase options that may be exercised at the date of death, absence or permanent disability shall be automatically reassigned to the remaining beneficiaries in proportion to their respective participations in all the purchase options.

NOTE 10 RESTRICTED ASSETS, LIMITATION ON THE TRANSFERABILITY OF SHARES AND OBLIGATIONS ASSUMED

Inversora Nihuales

Pursuant to point 12.13 of Chapter XII of the Terms and Conditions for the sale of 51% of Hidroeléctrica Nihuales capital stock, Class B shares are of free availability and their transfer by public offering shall be mandatory once the Government of the Province of Mendoza has transferred its Class C shares to retail investors resident of the Province of Mendoza. The Government of the Province of Mendoza has not performed any transfer of the Class C shares to retail investors resident in the Province of Mendoza.

Furthermore, it is established that the concessionaire should take the necessary measures for the Company to list its securities on the Stock Exchange.

On March 9, 2006, the Provincial Executive Branch, through the Ministry of the Environment and Public Works, issued Decree No. 334, whereby it was agreed the sale of 37% of Hidroeléctrica Nihuales capital stock, represented by Class C shares, to institutional minority investors of the Province of Mendoza, by means of a procedure guaranteeing that none of the purchasers of this class of shares could hold more than 5% of the capital stock and none of the holders of Class A shares could hold any other classes of shares. The same decree authorized the Ministry of the Environment and Public Works and Finance to carry out the pertinent formalities to confirm the irrevocable sales mandate granted by the holder of Class B shares to the Provincial Government.

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On September 7, 2006, the legislature of the Province of Mendoza ratified Decree No. 334 dated March 9, 2006.

On July 5, 2007, through Decree No. 1,651/07 the Executive Branch of the Province of Mendoza instructed the Ministries of the Environment and Public Works and Finance of the Province to call a Public Bid for Stock Broker Companies, Stock Markets and Financial Institutions specialized in operations for the implementation and sale of shares in capital markets in order for them to submit a proposal for assisting the Province of Mendoza in the process that will be necessary to carry out to sell the Class C and, as the case may be, the Class B shares in Hidroeléctrica Los Nihuales S.A., as established by Decree No. 334/06 and ratified by Law No. 7,541.

Transener and Transba

Restricted assets

The concession contract prohibits the concessionaire from placing a lien, mortgage or any other collateral in favor of third parties on assets destined to the rendering of the National High-Voltage Electricity Public Transmission Service in the case of Transener and the Provincial Electricity Public Transmission Service in the case of Transba, notwithstanding the free availability of those assets becoming unsuitable for that purpose in the future according to the ENRE criteria.

Limitation on the transferability of shares

Citelec may not modify its interest or sell its Class A shares in Transener without the prior authorization of the ENRE. Also, Transener may not modify or sell its interest in Transba without the prior authorization of that agency.

As set forth in the concession contract, Citelec with respect to Transener, and Transener with respect to Transba, have created a pledge in favor of the National State on all the Class A shares, as security for compliance with obligations assumed. The awardees Citelec and Transener shall increase the amount of the guarantee by creating a pledge on the Class A shares they purchase in the future as a result of new capital contributions made by them or the capitalization of profits and/or capital adjustment balances, and any successive transfers of the majority Class A shares shall be made with those pledges.

In addition, the corporate by-laws of those companies also forbids the creation of pledges or any other lien on those Class A shares, except in the cases mentioned in the concession contract.

Edenor

Limitation on the transferability of shares

In accordance with the corporate by-laws, the holders of Class A shares may transfer their shares with the prior approval of the ENRE, which will adopt a resolution within 90 days. Otherwise, the request will be deemed to have been approved.

Furthermore, Caja de Valores S.A., responsible for keeping a record of these shares, is entitled (as set forth in the corporate by-laws) to reject all such securities received as are not, at its discretion, in compliance with the regulations on transfers of ordinary shares included in (i) the Law on Commercial Companies, (ii) the concession contract and (iii) the corporate by-laws.

In turn, Class A shares shall be pledged over the life of the concession, as security for compliance with the obligations assumed under the concession contract.

In addition, the Company must be the beneficial owner of the Class 2 Corporate Bonds and, as stated in the register, of at least 51% of the voting and outstanding shares in Edenor.

Article ten of the Memorandum of Agreement executed with the Branch granting the Concession and ratified by Decree 1957/06 provides that from its effective date to the expiration of the Contractual Transition period, the shareholders who own the Majority Shares may not modify their equity interests or sell their shares.

Notes to the Consolidated Financial Statements

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Restrictions on the distribution of retained earnings

As from the restructuring of the financial debt, Edenor was not allowed to distribute dividends until April 24, 2008, or the Leverage Ratio is lower than 2.5. As from that moment, it may distribute dividends only in certain circumstances depending on its indebtedness ratio.

Loma de La Lata

Restricted assets

As of December 31, 2008 cash and banks and short-term and long-term investments balances include current bank accounts, time deposits, and Governments bonds for a total amount of US\$ 467.9 million which are restricted by virtue of certain guarantees given in favor of certain suppliers under the construction agreements in connection with the Project.

NOTE 11

COMMON STOCK

At december 31, 2008 and 2007, the Company had 1,399,768,046 and 1,526,194,242, respectively, of book-entry shares with a par value of Ps. 1 each and entitled to 1 vote per share.

On September 8, 2008, the Company's Board of Directors resolved to establish the terms and conditions to acquire shares issued by the Company for up to US\$ 30,000,000, for 120 running days, up to a maximum amount to be invested of 10% of the Company's common stock and at a price between Ps. 1.10 and Ps. 1.70 per share. The Company's Board of Directors considers that this transaction guards over the shareholders' best interests given the strong impact underwent by the listed price of local shares due to the international macroeconomic context, who by the repurchase will increase their interests in the Company's strategic assets.

On October 21, 2008, the Company's Board of Directors established the terms and conditions of public offering of shares (OPA) to acquire its own shares for up to 70,000,000 shares of common stock of the Company to contribute to defend the shareholders' best interests. By virtue of this OPA, the Company received offers for 133,895,787 shares; hence shares available for offering were awarded at an estimated prorating coefficient of 52.28%. All the acquisitions of the previously mentioned shares were made at a price of ARS 0.95 per share, totaling an acquisition cost of ARS 66,500,000.

On October 23, 2008, the Company's Board of Directors resolved to establish the terms and conditions to acquire its own shares by means of transactions in the market for up to US\$ 20,000,000 and a maximum number of shares not exceeding 10% of the Company's capital stock, as provided by current regulations. The price to be paid for the shares was established between a minimum of ARS 0.40 per share and a maximum of ARS 1.20 per share.

On November 7, 2008, the Company's Board of Directors approved the terms and conditions of new OPA to acquire its own shares for up to 55,000,000 shares of common stock of the Company to contribute to defend the shareholders' best interests. The price paid for these shares was ARS 0.80 per share. By virtue of this OPA, the Company received offers for 15,384,730 shares, which were fully accepted.

On November 18, 2008, the Company's Board of Directors resolved to establish the terms and conditions to acquire its own shares by means of transactions in the market for up to US\$ 20,000,000 and a maximum number of shares equivalent to the maximum amount to be invested. The price to be paid for the shares was established between a minimum of ARS 0.50 per share and a maximum of ARS 1.10 per share.

Considering the previously described OPAs, as of December 31, 2008, the Company acquired 126,426,196 Class A shares, with a face value of ARS 1 per share, at an acquisition cost of ARS 120,848,801, which is disclosed as a deduction of retained earnings. The market price of such shares as of the year-end amounted to ARS 123,897,672.

Subsequent to the year-end, new processes to acquire own shares were approved by means of the OPA to acquire own shares by transactions in the market.

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NOTE 12 PROFIT DISTRIBUTIONS

Dividends

In accordance with Law No. 25,063, dividends distributed in cash or in kind, in excess of accumulated tax profits at the end of the year immediately before the date of payment or distribution, will be subject to a 35% income tax withholding in a single and final payment. The balance of accumulated accounting profits at December 31, 1997, less dividends paid plus tax profits calculated as from January 1, 1998 are considered accumulated tax profits for the purposes of this tax.

Legal Reserve

In accordance with the Argentine Commercial Companies Law, 5 % of the net profit for the year calculated in accordance with Argentine GAAP must be appropriated to a legal reserve until such reserve equals 20% of the Company's outstanding capital.

Dividends in advance

To preserve the Company's equity and mainly guard over the equitable treatment among shareholders, the Company has decided to implement a mechanism considered to be effective and efficient consisting in anticipating dividends which will compensate personal assets tax required to pay over tax authorities in its capacity of substitute taxpayer for such tax.

Under Argentine Personal Assets Tax Law No. 23,966, the Company shall pay over, as substitute taxpayer, personal assets tax for all the Company's shareholders subject to such tax, as of December 31, 2008. Under the substitute taxpayer system, once the tax amount is settled and paid over, the Company is entitled to be reimbursed the amount paid, which is hard to implement. In actual facts, companies bear this tax cost that negatively affects their results and generates no income tax deduction. Among the alternatives used by public companies to obtain reimbursement of amounts paid, the Company considers that the most efficient one consists in compensating the amounts paid with anticipated dividends.

Therefore, on December 22, 2008, the Company's Board of Directors resolved to anticipate dividends in cash under the terms of Argentine Commercial Companies Law for ARS 18,314,331 (which net of dividends related to own shares amounted to ARS 16,797,217), which is equivalent to 0.012% to the face value of each outstanding share and whose ratification will be subject to consideration by the upcoming Ordinary Shareholders' Meeting. Additionally, it was decided to pay early dividends through March 19, 2009, date on which the value obtained by the equity method will be known and based on which personal assets tax should be paid and provide Caja de Valores S.A. with the actions required to implement the decision adopted and comply with the sought-after equitable purpose.

As of December 31, 2007, the Company's Board of Directors had resolved on early dividends for ARS 18,314,331, following the previously described objective.

NOTE 13 INCOME TAX

The breakdown of deferred tax assets and liabilities is as follows:

	As of December 31, 2008	As of December 31, 2007
Tax loss-carryforwards	82,032,726	42,541,729
Trade receivables	(12,981,864)	26,840,232
Materials and spare parts	(609,032)	685,431
Inventories	(1,007,229)	-
Fixed and intangible assets	(576,001,256)	(589,513,245)
Other assets	(1,018,805)	(13,168,025)
Financial debt	(32,944,047)	(30,239,386)
Other liabilities and provisions	94,594,431	55,435,703
Other	(1,831,902)	-
NET DEFERRED INCOME TAX LIABILITY	(449,766,978)	(507,417,561)

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Below is a reconciliation between income tax expense and the amount resulting from application of the tax rate on the income before taxes:

	For the year ended December 31,	
	2008	2007
Income before taxes and minority interest	305,342,363	284,469,520
Current tax rate	35%	35%
Result at the tax rate	(106,869,827)	(99,564,332)
Permanent differences		
Goodwill amortization	(6,943,704)	(2,577,199)
Purchase options granted to Directors	(4,118,335)	(4,118,335)
Capital issuance costs	-	12,290,678
Non-taxable income from investments	-	32,033,265
Non-taxable income (expense)	39,107,515	(123,926)
Other	7,853,026	4,357,096
Subtotal	(70,971,325)	(57,702,753)
Tax loss-carryforwards prescription	(141,150,363)	-
Change in valuation allowance of tax loss carryforwards	103,280,562	21,437,762
TOTAL INCOME TAX EXPENSE	(108,841,126)	(36,264,991)

NOTE 14 RELATED PARTIES

The following is a summary of the material transactions carried out with related parties during the reported periods:

Opportunities assignment agreement – Purchase options

On September 27, 2006 the Company signed an Opportunities Assignment Agreement, whereby certain executives were committed to provide the Company with potential business opportunities encompassed by the Company's investment guidelines, exceeding US\$ 5,000,000. In consideration, the Company granted to those executives purchase options for up to 20% of capital, to be exercised at the same price per ordinary share in US\$ that shareholders have subscribed at each capital increase, adjusted in accordance with the purchase option agreements. See Note 9 for further details.

NOTE 15 COMMITMENTS AND CONTINGENCIES

CTG tax dispute

Pursuant to Decree No. 571/00, the Argentine government decreed that companies in the process of privatization would be exempt from the asset tax. Accordingly, a resolution by the Argentine tax authority was issued in favor of CTG recognizing that it was entitled to such exemption. However, on May 9, 2005, the Argentine tax authority revoked such resolution claiming that CTG was no longer in the process of privatization. On June 9, 2005, as per CTG's request, the relevant court in Argentina granted a suspension of the resolution revoking the exemption. Although the Argentine tax authority contested such suspension, the suspension of the revocation of CTG's tax exemption was upheld on November 9, 2005. On July 31, 2007, the Argentine tax authority issued a new decision rejecting Güemes's appeal and confirming the resolution of the revoking exemption. On August 22, 2007, CTG filed a judicial action challenging this tax resolution and requesting that the court suspend the resolution, thereby preventing the Argentine tax authority from carrying out any attachment or other executive measures until a final judgment has been entered. The Argentine tax authority has appealed such suspension and the litigation proceeding is still ongoing as of the date of this registration statement. In the event that this matter is resolved against CTG, CTG could be forced to pay the unpaid tax amounts claimed by the Argentine tax authority, plus accrued interest, penalties and other costs and expenses (including legal fees). As of December 31, 2007, the aggregate amount of taxes claimed by the Argentine government is Ps. 10.8 million, excluding interest and penalties, which could be up to Ps. 20 million. No provision has been recognized in this connection.

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Transener legal proceedings

On August 8, 2003, the Argentine Federal Tax Bureau notified Transener of an income tax assessment based on various intercompany loans made between 1998 and 2000, which assessment alleged that such loans included interest rates below standards established under income tax law. Transener appealed the assessment to the Argentine National Tax Court. The claim amounted to Ps. 6.9 million, including principal, interest and penalties. No provision has been recognized for this contingency in the financial statements.

On May 17, 2007, a fire in the Ezeiza transformer station resulted in a disruption of the services provided by that station. The services were partially resumed shortly thereafter. In response to that disruption, the ENRE filed charges against Transener alleging certain violations of the quality standards applicable to the transmission services provided by Transener. In response to such charges, Transener has raised a force majeure event defense. Transener recognized a provision for contingencies of approximately Ps. 14.0 million to cover penalties that could derive from such charges. As of June 30, 2008, the service was totally restored.

Edenor tax claims

On December 1, 2003, the Provincial Board of Electric Power of the Province of Buenos Aires initiated a claim against Edenor in the amount of Ps. 51.2 million, which does not include surcharges, interest or penalties accrued in respect of this amount after the date of the claim. At December 31, 2003, the amount of surcharges and interest accrued on the claim, including applied penalties, was Ps. 310 million. In addition, on April 23, 2007, the Board notified Edenor of an additional claim for Ps. 4.0 million, without including surcharges, interest or penalties accrued. The claims are based on an alleged failure to collect, as collection agent, in respect of certain taxes established by Decree Nos. 7290/67 and 9038/78 between July 1997 and June 2001 and between July 2001 and June 2002, respectively. On December 23, 2003, Edenor filed an appeal of the Board's decision with the provincial Tax Court of Appeals of La Plata, and enforcement of the judgment was suspended pending the outcome of the appeal. On June 14, 2007, the Court granted Edenor's appeal and rejected the Board's tax claim against Edenor. On June 27, 2007 the provincial Tax Court of Appeals of Buenos Aires rendered a favorable decision in relation to Edenor's appeal. This decision reaffirms a recent decision by the Supreme Court of the Republic of Argentina in an unrelated case that held that the regulations were unconstitutional due to the commitment assumed by the Province of Buenos Aires to not tax the transfer of electric power. No provision has been recognized in this connection.

The Argentine federal tax authorities have challenged certain income tax deductions for allowance for doubtful accounts on Edenor's income tax returns for fiscal years 1996, 1997 and 1998, and have assessed additional taxes of approximately Ps. 9.3 million. Tax related contingencies are subject to interest charges and, in some cases, fines. Edenor has appealed the tax authorities' ruling before the Argentine federal tax court. During the appeal process payment for such claim is suspended. Edenor has established a provision for contingencies of Ps. 37.1 million, which includes principal and interest, in relation to this claim.

Edenor environmental claims

On May 24, 2005, three of Edenor's employees were indicted on charges of PCB-related environmental contamination dangerous to human health, which is a crime under Argentine law. In connection with this alleged infraction, the judge sought a pre-judgment attachment of Edenor's assets in the amount of Ps. 150 million to cover the potential cost of environmental damages and estimated clean-up costs. On May 30, 2005, Edenor appealed the charges against its employees as well as the attachment order. On December 15, 2005, the court of appeals dismissed the charges against all three defendants for lack of evidence and, accordingly, vacated the attachment order. The decision by the court of appeals also stated that the trial judge should order the acquittal of two public officers of the ENRE, who had been indicted on related charges. This decision was appealed to the National Criminal Appellate Court (Tribunal de Casación), the highest appellate body for this matter, which on April 5, 2006 ruled that the appeal of the decision relating to Edenor's employees and Edenor was not admissible because decisions rendered on grounds of lack of evidence are not reviewable. On July 16, 2007, Edenor was notified that on July 11, 2007, the trial judge issued acquittals for all of the Edenor's officials and employees that had been indicted. On appeal on March 25, 2008, the First Court of the Federal Circuit of San Martín (Sala I de la Cámara Federal de San Martín) upheld the acquittals and confirmed the finding that there had been insufficient evidence to prove any PCB contamination. This decision was appealed on April 18, 2008 by the Attorney General (Ministerio Público) before the First Court of the Federal Circuit of San Martín. Edenor has not established any provision for contingencies in its financial statements for this claim.

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Proceedings challenging the renegotiation of Edenor's concession

In November 2006, two Argentine consumer associations, Asociación Civil por la Igualdad y la Justicia (ACIJ) and Consumidores Libres Cooperativa Limitada de Provisión de Servicios de Acción Comunitaria, brought an action against Edenor and the Argentine government before a federal administrative court seeking to block the ratification of the Adjustment Agreement on the grounds that the approval mechanism was unconstitutional. On March 26, 2007, the federal administrative court dismissed these claims and ruled in Edenor's favor on the grounds that the adoption of Executive Decree No. 1957/06, which ratified the Adjustment Agreement, rendered the action moot. ACIJ appealed this decision on April 12, 2007, and the appeal was decided in Edenor's favor. However, on April 14, 2008, ACIJ filed another complaint challenging the procedures utilized by the Argentine Congress in approving the Adjustment Agreement. Specifically, the claim alleges that Article 4 of Law No. 24,790, which authorized the Congress to tacitly approve agreements negotiated between the Argentine government and public service companies, such as Edenor, violated the congressional procedures established in the Argentine Constitution. ACIJ has requested that the Adjustment

Agreement be renegotiated and submitted to Congress for its express approval. Edenor's response to this complaint is due on or before 2008. No provision has been accounted for in this connection as the possibility of loss is considered remote.

NOTE 16 EDENOR'S FINANCIAL TRUST AGREEMENT

On September 30, 2008, the indirectly controlled affiliate, Edenor, executed an irrevocable and discretionary trust agreement with Macro Bank Limited. By organizing the trust, Edenor assigns the management of certain liquid assets for an initial amount of up to US\$ 24 million, which will be subject to the trust. Such agreement was executed for 20 years.

By using the trust funds, it reported to have repurchased par corporate bonds maturing in 2016 issued by Edenor for a face value of US\$ 21.7 million. Such amount is a portion of all corporate bonds repurchased as of December 31, 2008, mentioned in note 5.

On December 31, 2008, Macro Bank Limited reported that in its investments portfolio it held par corporate bond maturing in 2017 issued by Edenor for a face value of US\$ 24.5 million.

NOTE 17 ACQUISITION OF OWN SHARES FROM EDENOR

During the last quarter of 2008 and as a result of the two own share acquisition processes, Edenor acquired 9,412,500 Class B shares with a face value of ARS 1 per share, at an acquisition cost of ARS 6.1 million.

NOTE 18 SUBSEQUENT EVENTS

Repurchase of corporate bonds

As from January 1, 2009 and through the issuance date of these financial statements, the Company and its subsidiaries have acquired in successive market transactions its own corporate bonds or those corporate bonds issued by the certain subsidiaries, for about US\$ 36.8 million, equivalent to US\$ 79.3 million of face value.

New rate schedule for the distribution segment

Subsequent to the year-end, the Argentine Ombudsman sponsored a filing against the resolutions that instated the new rate schedule as from October 1, 2008. Such increase provided by Resolution No. 628/08 issued by ENRE includes passing the rate increase in the seasonal electricity price to reduce subsidies from the Federal State to the electric sector, not increasing Edenor's distribution added value.

On the other hand, on January 27, 2009, ENRE notified Edenor of a precautionary measure, resulting from the filing made by the Argentine Ombudsman, by which it is ordered to refrain from disrupting the electric power supply, resulting from failing to pay bill issued with the rate increase until a definitive ruling is passed in this case. The measure has been appealed by Edenor and the Federal Government and it is pending of resolution.

Notes to the Consolidated Financial Statements

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Acquisition of participation in Inversora Ingentis

As established in the Trust Agreement mentioned in note 5, and as on January 5, 2009, Emgasud did not pay the price of the Shares as provided in the Purchase Agreement, the Trustee: (i) transferred Inversora Ingentis shares held by Emgasud to the Company, (ii) transfer the Shares to the Company and Dilurey, and (iii) delivered the Promissory Note to the Company.

Consequently, the Company directly and indirectly controls 100% of the capital stock of Inversora Ingentis S.A., which own 61% of the shares of Ingentis, hence the Province of Chubut is the owner of the remaining 39%.

Based on the above, as of December 31, 2008, the Company has derecognized its investment in Inversora Ingentis from other available assets for sale and included all the payables to/receivables from Inversora Ingentis in the related accounts at their respective book values. Likewise, the consolidated financial statements have once again given effect to the proportional consolidation of the interest in such company.

Acquisition of own shares

On February 2, 2009, the Company's Board of Directors resolved to continue with the programme to acquire own shares approved on November 18, 2008, replacing the schedule of transactions on the market for launching an OPA for a total amount up to ARS 50,000,000. The number of the Company's shares of common stock to be acquired was later fixed at 52,631,578 at ARS 0.95 or US\$ 0.273 per share the price to be paid for such shares. By virtue of the OPA, the Company received offers for 46,689,578 shares, which were fully accepted.

On February 13, 2009, the Company's Board of Directors resolved to establish the terms and conditions to acquire own shares issued by the Company by means of transactions on the market for up to ARS 9,702,000 and a maximum number of shares equivalent to the maximum amount to be invested. The price to be paid for the shares was established between ARS 0.90 and ARS 1.20 per share.

By virtue of the resolution of the Board of Directors on November 18, 2007, as mentioned in Note 6 on the acquisition of own shares by means of OPA and transactions on the market mentioned in this note, the Company acquired after December 31, 2008 and until the issuance of these financial statements, 72,034,328 Class A shares with a face value of ARS 1, issued by the Company at an acquisition cost of ARS 70,471,802.

As a result of the previously mentioned acquisitions, the Company exceeded the limit of own shares that the Company may hold, established at 10% of its capital stock as provided by Section 68, Law No. 17,811 (as revised by Decree No. 677/01), which has been temporarily authorized by CNV considering the gravity and exceptionality of the current situation by issuing General Resolutions No. 535/08, 546/08 and 550/09 based on which enforcing such limit was suspended until April 30, 2009.

NOTE 19 OTHER FINANCIAL STATEMENT INFORMATION

The following tables present additional financial statement disclosures:

- a. Fixed assets, net
- b. Short-term investments
- c. Intangible assets, net
- d. Goodwill, net
- e. Allowances and provisions
- f. Cost of sales
- g. Foreign currency assets and liabilities
- h. Other expenses

Notes to the Consolidated Financial Statements

(In Argentine Pesos ("Ps.") – unless otherwise stated)

a. Fixed Assets, net

Account	Originals values				
	At the beginning of the year	Increases	Disposals	Transfers	At the end of the year
Land	8,961,734	79,920	-	952,852	9,994,506
Properties	175,969,969	110,176	(163,000)	23,163,735	199,080,880
High, Medium and Low voltage lines	1,716,570,063	-	(3,305,000)	132,433,000	1,845,698,063
Substations	666,349,153	-	(415,000)	15,072,000	681,006,153
Transformers chamber and platforms	356,006,433	-	(297,000)	54,480,000	410,189,433
Meters	354,378,000	-	-	48,300,000	402,678,000
High-voltage lines	352,122,522	56,571,327	-	23,414,245	432,108,094
Electricity equipment	252,237,269	96,489	(12)	56,375,452	308,709,198
Aerial and semi-heavy equipment	8,818,720	1,285,449	-	40,546	10,144,715
Laboratory and maintenance	3,143,057	474,385	-	240,444	3,857,886
Generation equipment and machinery	327,312,084	47,794,513	-	116,073,885	491,180,482
Vehicles	11,871,512	6,283,138	(3,278,483)	698	14,876,865
Furniture and fixtures	18,035,146	29,106,839	(3,838,180)	167,923	43,471,728
Computer and software equipment	61,418,617	616,421	-	7,353,433	69,388,471
Spare Parts	54,517,000	8,287,673	(3,115,546)	(2,692,680)	56,996,447
Tools and machines	7,332,051	3,298,559	(981,149)	83,564	9,733,025
Works in progress	510,823,559	395,345,642	(16,944)	(396,448,659)	509,703,598
Work and compulsory work performed	7,533,912	-	-	-	7,533,912
Advances to suppliers	384,341,800	256,649,739	(203,015,675)	(79,010,438)	358,965,426
TOTAL AS OF 12,31,08	5,277,742,601	806,000,270	(218,425,989)	-	5,865,316,882
TOTAL AS OF 12,31,07	784,415,375	4,538,224,839	(44,897,613)	-	5,277,742,601

b. Short-term investments

	As of December 31, 2008	As of December 31, 2007
Time deposits and other securities	140,645,853	162,193,010
Government securities	115,984,002	149,767,532
Private securities	16,555,295	211,770,247
Mutual funds	142,281,880	41,237,696
Shares in other companies	48,510,401	39,011,702
Trusts	14,489,491	-
Other short-term investments	-	31,615,307
TOTAL	478,466,922	635,595,494

c. Intangible assets, net

Main Account	Originals values				
	At the beginning of the year	Increases	Disposals	Transfers	At the end of the year
Concession contract	335,368,056	-	-	-	335,368,056
Organization expenses	3,229,487	5,708	-	-	3,235,195
Trademarks and patents	5,000	-	-	-	5,000
Intangibles identifiable in distribution acquired	24,508,397	-	-	-	24,508,397
Total as of 12,31,08	363,110,940	5,708	-	-	363,116,648
Total as of 12,31,07	335,368,057	27,742,883	-	-	363,110,940

Notes to the Consolidated Financial Statements

(In Argentine Pesos ("Ps.") – unless otherwise stated)

Depreciation					12.31.08	12.31.07
At the beginning of the year	Amount for the year	%	Disposals	Accumulated at the end of the year	Net book value	Net book value
-	-	-	-	-	9,994,506	8,961,734
(5,092,318)	(8,221,571)	2-6,66%	-	(13,313,889)	185,766,991	170,877,651
(23,722,482)	(96,254,858)	3-4-5%	1,928,518	(118,048,822)	1,727,649,241	1,692,847,581
(7,405,089)	(29,777,521)	3-4%	114,959	(37,067,651)	643,938,502	658,944,064
(4,457,336)	(18,230,904)	3-4%	152,360	(22,535,880)	387,653,553	351,549,097
(6,174,000)	(24,878,000)	4-5%	-	(31,052,000)	371,626,000	348,204,000
(14,900,019)	(16,537,481)	2,7-3,3%	-	(31,437,500)	400,670,594	337,222,503
(10,075,505)	(12,509,795)	5-20%	12	(22,585,288)	286,123,910	242,161,764
(1,638,157)	(384,570)	3-4%	-	(2,022,727)	8,121,988	7,180,563
(1,081,801)	(234,193)	4-5%	-	(1,315,994)	2,541,892	2,061,256
(18,233,710)	(30,678,320)	3-4%	-	(48,912,030)	442,268,452	309,078,374
(2,160,253)	(3,260,907)	20-50%	2,506,326	(2,914,834)	11,962,031	9,711,259
(3,698,907)	(11,514,592)	12-20%	109,984	(15,103,515)	28,368,213	14,336,239
(3,605,826)	(6,271,699)	20%	-	(9,877,525)	59,510,946	57,812,791
-	-	-	-	-	56,996,447	54,517,000
(1,606,736)	(2,056,410)	10-33%	325,879	(3,337,267)	6,395,758	5,725,315
-	-	-	-	-	509,703,598	510,823,559
(692,270)	(427,602)	4,5%	-	(1,119,872)	6,414,040	6,841,642
-	-	-	-	-	358,965,426	384,341,800
(104,544,409)	(261,238,423)		5,138,038	(360,644,794)	5,504,672,088	
(8,117,010)	(98,905,534)		2,478,135	(104,544,409)		5,173,198,192

Accumulated depreciation				
At the beginning of the year	Amount for the year	At the end of the year	Net book as of 12.31.08	Net book value as of 12.31.07
(23,534,405)	(18,741,042)	(42,275,447)	293,092,609	311,833,651
-	(16,055)	(16,055)	3,219,140	3,229,487
-	-	-	5,000	5,000
(1,227,902)	(2,478,848)	(3,706,750)	20,801,647	23,280,495
(24,762,307)	(21,235,945)	(45,998,252)	317,118,396	
(4,856,152)	(19,906,155)	(24,762,307)		338,348,633

Notes to the Consolidated Financial Statements

(In Argentine Pesos ("Ps.") – unless otherwise stated)

d. Goodwill, net

Main account	Original values	Accumulated amortization	Net book values of 12.31.08	Net book values of 12.31.07
Transeclec (1)	(17.369.690)	2.025.787	(15.343.903)	(16.144.453)
Inversora Nihuales (2)	(745.689)	95.947	(649.742)	(692.381)
Inversora Diamante (2)	10.859.826	(1.366.967)	9.492.859	10.100.393
Dilurey (3)	4.732.712	(549.266)	4.183.446	4.458.080
Powerco (3)	906.787	(105.239)	801.548	854.167
CIESA (4)	183.380.415	(20.295.665)	163.084.750	177.502.838
DESA (5)	444.667.068	(6.696.795)	437.970.273	443.327.709
IEASA (5)	22.784.530	(343.142)	22.441.388	22.715.902
CTG	(2.171.469)	394.691	(1.776.778)	-
HIDISA	139.289	(8.378)	130.911	-
Edenor	(7.654.000)	-	(7.654.000)	-
TOTALAS OF 12.31.08	639.529.779	(26.849.027)	612.680.752	642.122.255
TOTALAS OF 12.31.07	649.215.959	(7.093.704)		642.122.255

(1) Useful life has been estimated at 21 years based on the average weighted remaining useful life of the subsidiaries' assets subject to depreciation.

(2) Useful lives have been estimated at 17 years based on the remaining term of the concession contracts of Hidroeléctrica Los Nihuales and Hidroeléctrica Diamante, subsidiaries of Inversora Nihuales and Inversora Diamante, respectively.

(3) Useful life has been estimated at 17 years based on the average weighted remaining useful life of the assets subject to depreciation of CTG, subsidiary of Dilurey and Powerco at acquisition date.

(4) Useful life has been estimated at 13 years based on the average weighted remaining useful life of the assets subject to depreciation of Central Piedra Buena, CIESA's subsidiary.

(5) Useful life has been estimated at 83 years based on the remaining useful life of Edenor concession contract.

e. Allowances and provisions

	12.31.08			
	Balances at the beginning of the year	Increases	Decreases	Balances at the end of the year
Deducted from assets				
Current				
Allowance for doubtful accounts	46.475.609	23.762.136	(30.585.321)	39.652.424
Allowance for other receivables	6.703.335	1.903.770	-	8.607.105
Allowances for setting up of investments	702.148	-	(702.148)	-
Total allowances deducted from assets	53.881.092	25.665.906	(31.287.469)	48.259.529
Included in Liabilities				
Current				
Provision for contingencies	88.296.293	23.438.016	(7.267.750)	104.466.559
Total provision included in liabilities	88.296.293	23.438.016	(7.267.750)	104.466.559
TOTALAS OF 12.31.08	142.177.385	49.103.922	(38.555.219)	152.726.088

f. Cost of sales

	For the year ended December 31,	
	2008	2007
Inventory at the beginning of the year	41.905.190	12.339.010
Purchase of fuel and energy	1.481.101.564	349.284.857
Expenses for generation, transmission and distribution	1.583.366.814	775.068.666
Holding gain on inventory	1.796.129	9.251.249
Inventory at the end of the year	(25.810.445)	(41.905.190)
COST OF SALES	3.082.359.252	1.104.038.592

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g. Foreign currency assets and liabilities

		12.31.08		
		Foreign currency class and amounts	Exchange rate	Amount in \$
Assets				
Current assets				
Cash and banks	US\$	30.642.236	3,413	104.581.952
	EUR	43.411	4,735	205.545
	R\$	895.160	1,460	1.306.934
	U\$	10.066	0,140	1.410
Investments	US\$	82.196.396	3,413	280.536.927
Trade receivables	US\$	10.523.581	3,413	35.916.985
	R\$	1.139.708	1,460	1.664.453
Other receivables	US\$	20.148.065	3,413	68.765.687
	EUR	23.235	4,735	110.017
	R\$	579.526	1,460	846.352
	U\$	1.254	0,140	176
TOTAL CURRENT ASSETS			\$	493.936.438
Non-current assets				
Trade receivables	US\$	84.502	3,413	288.405
Other receivables	US\$	10.672.915	3,413	36.426.660
	R\$	265.558	1,460	387.826
Other investments	US\$	108.148.771	3,413	369.111.117
Fixed assets	US\$	28.023	3,413	95.642
	EUR	1.155.789	4,735	5.472.543
TOTAL NON-CURRENT ASSETS			\$	411.782.193
TOTAL ASSETS			\$	905.718.631
Liabilities				
Current liabilities				
Accounts payable	US\$	16.200.893	3,453	55.941.682
	EUR	817.446	4,791	3.916.138
	CHF	453.851	3,272	1.485.000
	R\$	97.942	1,460	143.037
Financial debt	US\$	9.270.436	3,453	32.010.816
	EUR	237.961	4,791	1.140.000
Salaries and social security payable	US\$	838	3,453	2.894
	R\$	371.650	1,460	542.765
	U\$	176.746	0,140	24.761
Taxes payable	R\$	68.500	1,460	100.039
Other liabilities	US\$	1.685.502	3,453	5.820.037
	R\$	659.360	1,460	962.942
	U\$	301.995	0,140	42.308
TOTAL CURRENT LIABILITIES			\$	102.132.419
Non-current liabilities				
Accounts payable	US\$	34.284	3,453	118.383
Financial debt	US\$	666.940.554	3,453	2.302.934.130
Taxes payable	R\$	59.176	1,460	86.422
Allowances	US\$	69.016	3,453	238.313
TOTAL NON-CURRENT LIABILITIES			\$	2.303.377.248
TOTAL LIABILITIES			\$	2.405.509.667

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h. Other expenses

	Administration	Selling	Generation/ Transmission/ Distribution	For the year ended December 31,	
				2008	2007
Salaries and social security	91,794,130	38,883,895	294,598,130	425,276,155	155,700,674
Fees and compensation for services	53,361,873	45,960,638	118,361,907	217,684,418	61,586,244
Directors and Sindycs' fees	14,468,287	-	-	14,468,287	8,521,979
Reserve for Directors' options	11,766,672	-	-	11,766,672	11,766,671
Depreciation of fixed assets	7,112,995	1,767,929	252,357,499	261,238,423	98,905,534
Amortization of intangible assets	16,055	-	21,219,890	21,235,945	19,906,155
Amortization of other assets	-	-	22,732,206	22,732,206	22,732,205
Royalties and fees	-	-	23,680,005	23,680,005	23,768,008
Doubtful accounts	-	15,304,000	203,136	15,507,136	14,927,000
Maintenance	2,362,436	14,867	32,793,802	35,171,105	21,279,827
Transport and per diem	2,854,115	79,978	5,955,276	8,889,369	7,179,359
Rental and insurance	12,862,983	630,042	13,432,234	26,925,259	13,996,909
Surveillance and security	1,266,039	108,000	6,506,946	7,880,985	3,378,192
Contingencies and allowances	1,303,016	-	-	1,303,016	2,285,911
Fuel consumption	133,499	-	699,147,267	699,280,766	362,085,461
Material and spare parts consumption	1,435,000	929,000	70,234,860	72,598,860	45,471,133
Taxes, rates and contributions	35,156,125	19,256,260	5,410,484	59,822,869	30,312,965
Communication	3,640,860	8,740,228	3,428,761	15,809,849	6,233,748
Advertising and promotion	13,682,319	374,975	2,436	14,059,730	3,444,109
Office expenses	1,617,642	2,913	273,785	1,894,340	1,873,001
Other expenses	7,548,932	7,598,914	13,028,190	28,176,036	22,736,868
TOTAL AS OF 12,31,08	262,382,978	139,651,639	1,583,366,814	1,985,401,431	
TOTAL AS OF 12,31,07	117,273,072	45,750,215	775,068,666		938,091,953

