

EMPRESA DISTRIBUIDORA NORTE S.A. (EDENOR)

PROJECT SUMMARY

Project name: Edenor S.A.

Project number: AR-0195

Country/location: Argentina/Buenos Aires

Project cost: US\$394 million

Proposed financing: US\$40 million (A loan)

US\$80 million (B loan)

Proposed timetable for IDB Board: II Quarter

Contact at IDB: Jean-Daniel Borgeaud

Tel: (202) 623-1521

Fax: (202) 623-3639

I. PROJECT STRENGTHS

Strong sponsors Successfully tested concession model

Very experienced operators Environmentally sound operation

Increasingly profitable company Non-cyclical business

II. COMPANY DESCRIPTION

Edenor (the "Company") was created in 1992 upon the privatization of Servicios Eléctricos del Gran

Buenos Aires in which generation, transmission, and distribution facilities were separated and sold. Edenor has a 95-year concession with the Government of Argentina ("GOA") which gives the Company the exclusive franchise to perform electricity distribution services in the northern section of Buenos Aires. The concession area comprises a territory of approximately 4,637 km² with a total population in excess of 7 million and over 2 million customers.

During its initial operation period, Edenor suffered from the negative heritage of its public era. Because of its high level of energy losses, oversized payroll, and inadequate management system, the Company experienced huge losses in 1992 and 1993. To mitigate this situation, Edenor undertook an investment program spanning from 1992 to 1995 and amounting to approximately US\$400 million. That program which was partially financed by an IFC-led syndicate of international banks was a great success. The Company was able to reduce its energy losses from approximately 30 percent in 1992 to 16 percent at the end of 1995. Edenor's net income in 1995 amounted to US\$46.5 million.

For the period 1996-2000, Edenor plans to make additional investments that are budgeted at US\$394 million. The main goals of this 5-year investment program are as follows: (i) to meet growth in demand; (ii) to improve service quality and reliability; (iii) to remain in compliance with the regulatory framework; and (iv) to increase profitability.

III. COMPANY SPONSORS

EASA which is the controlling shareholder (51 percent) of EDENOR is owned by the following entities: (i) Electricité de France ("EDF") is the world's largest electricity utility measured by both installed capacity and energy distributed. EDF generates and distributes substantially all of France's electricity consumption; (ii) ENHER is a subsidiary of Endesa, Spain's largest producer of Electricity with approximately half of its installed capacity. ENHER generates and distributes electricity in Spain's Catalonia region. Both ENHER and EDF are the operators of Edenor; (iii) Astra Compañía Argentina de Petróleo S.A. is one of Argentina's major industrial groups with its main business interests in the oil and gas industry. Astra is involved into exploration, production, refining and marketing of petrochemical products; (iv) Société d'Aménagement Urbain et Rural which is related to the Bouygues construction group is based in France where it operates water supply, sewage and waste disposal facilities, as well as electricity distribution networks; and (v) J.P. Morgan International Capital Corporation is a US investment company. Approximately 60 percent of the economic interests in EASA are owned by preferred stockholders (without voting rights) under an American Depositary Receipts program.

The other direct shareholders of Edenor include (i) GOA; (ii) Endesa Desarrollo S.A., another subsidiary of Endesa which was established to manage its international operations and interests; (iii) Banco Santander de Negocios S.A., a large Spanish investment bank; and (iv) Edenor's employees.

IV. FINANCING PLAN

Edenor expect to finance its 1996-2000 investment program through a combination of long and short-

term debt, as well as cashflow from operations. Together with Deutsche Bank AG and Société Générale, as co-arrangers, the Bank is arranging approximately US\$120 million in long-term loans which shall cover the Company's financing needs in 1996. IDB's loans will consist of a US\$40 A loan for the Bank own account and approximately US\$80 million of B loans to be syndicated to international commercial lenders.

V. TIMETABLE

The IDB-led syndicated financing is scheduled to reach financial closing during the third quarter of 1996.

VI. ENVIRONMENTAL FACTORS

The 1996-2000 investment program has many environmentally beneficial aspects. The further reduction in energy losses through the correct metering, invoicing and collection of electricity actually delivered but not paid for is a powerful inducement to conserve energy. Another positive component of the program is the de-commissioning of all remaining transformers that contain polychlorinated biphenyls (PCBs), a carcinogenic compound.

VII. THE BANK'S ROLE

The Bank has supported the restructuring and privatization of the electricity sector in Argentina. It is consistent that IDB assist the private sector's efforts to rehabilitate, modernize and expand electrical infrastructure.

Through the participation of the Bank as lender-of-record, Edenor will be able to raise long-term loans from the financial markets. Access to long-term financing will contribute to a reduction of the Company's financial costs which should, over time, lead to lower tariffs for customers.