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Pampa Energía and Edenor 1Q 2012 Conference Call

Presenting for Pampa Energía:
Ricardo Torres, CEO of Pampa Energía and Chairman of Edenor

Ricardo Torres: Thank you very much. Good morning everyone and thanks for joining us on this joint conference call.

I would like to focus first on the main events that took place in the last couple of months, then briefly review the results of the first quarter and finally comment on the general situation of Pampa and particularly Edenor. As you know, you can always call me or anybody of our team for more details on the numbers of the quarter or any doubts you might have. We also have a complete set of figures in our webpage that you can access.

So to begin with the relevant events of the quarter, first of all, a couple of weeks ago Edenor sold its indirect stake in Edesa, the distribution company of the Province of Salta, for around AR\$100 million, of which we have already collected AR\$84 million, plus the repayment of AR\$137 million of the intercompany loan given by Edenor to Edesa last year, including accrued interests. This generated a gain in the first quarter of 2012 of AR\$22 million, compensating part of the AR\$75 million loss registered in 2011 when we decided to put Emersa on sale and therefore valued it at market value. The sale of Edesa was very relevant for Edenor given that it provided AR\$221 million of cash to cope with the operating deficit. Also important with this regard, Edenor collected from Eden, another subsidiary, within 2012, AR\$74 million: AR\$60 million before March 31st, plus another AR\$14 million in May. After this, Edenor has only US\$3 million outstanding with Eden, which we expect to collect in the short term. It is also important in terms of what we will discuss later about the operating deficit we are having in the company.

Moving on to Edelar, the distribution company of the Province of la Rioja, we are still working on a possible sale, although we think the chances are low we are working hard to achieve some success there. Another important issue for Edenor's cash flow is that we finally collected AR\$46 million in 2012 under the Framework Agreement signed with the National Government and the Province of Buenos Aires, in relation to the collection of electricity sold to shantytowns. The importance of this is that it corresponds to payment that had been delayed from a long time and collection was achieved almost entirely in the last couple of months.

Going now to the generation, some update in the status of the insurance collection of Loma de la Lata. Remember that in February 2011 we had an accident that delayed the beginning of commercial operations of the combined cycle, and we had therefore begun the collection process from the insurance companies. In relation to that, in March 2012 we collected the first advance payment of the insurance companies for an amount of US\$7.5 million, which has been registered as other operating income. We are expecting very soon to collect another US\$6 million, and we are still working with the companies to arrive to a final determination of the compensation. We expect that to happen in the next fifteen days.

Another important issue is that PEPASA, our oil and gas company Petrolera Pampa, on May of this year issued AR\$33 million under a commercial note with a term of one year for which we are paying an interest rate of Badlar plus 2.75% percent. Remember that Badlar is the

compensation received for big deposits in Argentinean banking system. The proceeds will be basically used to finance new investments at that company. Petrolera Pampa has agreements signed with Petrobras and Apache, which have allowed us to have as of today 19 productive wells, with an average gas production for the first quarter of 2012 of 1.1 million cubic meters per day. And also, we began the drilling of three exploratory wells in the Senillosa block, where we act as operators, and where we expect very promising perspectives to this exploration investment in the near future.

In Transener we received some adjustments on the payments on the Fourth Line. This is not a big amount, like AR 14 or AR\$15 million per year but it is important as a signal of recovering some of the cash flow we are entitled to receive. Another important issue that was in the last round of shareholders meeting in May: ANSES, one of the biggest shareholders in all of our companies increased the number of directors they appointed. In Pampa, ANSES has now 2 members out of 9 appointed. In Edenor it has now 5 members out of 12 appointed. In Transener, the number of directors designated by ANSES grew to 4 members out of 9 appointed. We expect that this will increase our capacity to contact and to arrive to an agreement with the Government. We are seeing this with an optimistic view.

Going to the results of the first quarter of 2012. First a clarification: for the first time in the history of Argentina we are using the International Financial Reporting Standards (IFRS). Because of that we are restating the comparative figures of the first quarter of 2011. So whenever you see 2011 figures, they have been restated to comply with International Standards.

One of the main differences you will see is that we are no longer consolidating line by line 50% of Transener, as per the new guidelines, participation in a business is shown all together in one line of the income statement called "Results for participation in joint businesses". Nevertheless, you will see that in the business breakdown by sector, we are including 50% of Transener in the transmission sector. And we are also including in our EBITDA calculation 50% of Transener, as we used to have before implementing IFRS.

So with that in mind, in the first quarter of 2012 we presented an adjusted EBITDA of AR\$278 million, 6% lower than the AR\$296 million for 2011. This was given by decreases of 58% or AR\$23 million in transmission and of 31% or AR\$53 million in distribution, which were partially offset by increases of 53% or AR\$48 million in generation and a higher gain in holding and others of AR\$10 million. Nevertheless, recall that the distribution segment includes in 2012 three months of Emdersa and Eden, while in 2011 we only had one month. These two companies added in the first quarter of 2012 an EBITDA of AR\$94 million versus AR\$26 million in the same period of last year.

Also, have in mind that we are still not consolidating TGS, given that the restructuring of CIESA's debt has not been finalized yet. We are still waiting for the last signature of the Commerce Secretary.

The higher adjusted EBITDA at our generation segment was given by a higher EBITDA of Loma de la Lata, which amounted to AR\$83 million in 2012 versus AR\$6 million in 2011, as a result of the beginning of commercial operations of the combined cycle. That is an increase of almost AR\$77 million thanks to the combine cycle. This was partially offset by lower EBITDAs of the rest of our generation plants, especially Piedra Buena, as a result of lower fuel oil activity and lower capacity payments by CAMMESA. Remember that in late 2010 the generation sector had reached an agreement with the Government by which capacity payment was increased from

AR\$12 to between AR\$35 to AR\$42 depending on the technology, and this agreement was suspended by the Energy Secretariat in January of this year. Almost AR\$33 million of potential revenues were wiped out from our accounting results.

The lower adjusted EBITDA at our transmission segment was affected mainly by a lower operating income because of increased costs, especially labor cost, with no recognition of this increase with respect to the cost agreement we had reached with CAMMESA.

With respect to the distribution segment, where the adjusted EBITDA decreased by AR\$53 million, it would have decreased by around AR\$120 million without including Emdersa and Eden. This is the magnitude of the decrease in Edenor on a stand-alone basis. Going more into detail on Edenor on a stand-alone basis, net sales increased by 19% to AR\$709 million in the first quarter of 2012, but this is mainly due to an increase in the electricity price due to the cut in subsidies to certain clients, and a 5% increase in the volume of electricity sold. Remember that the increase in electricity price is only a pass-through for Edenor, and does not provide for additional revenues.

Edenor's volume of energy sold increased by 5% thanks to a 3.6% increase in the average consumption per customer and 1.4% increase in the number of customers.

Edenor's net operating income decreased AR\$106 million to a loss of AR\$73 million in the first quarter of 2012, without including the registration under IFRS of a gain of AR\$435 million for the purchase of Eden and Emdersa, in what is now the restated first quarter of 2011. The reduction in the operating income was given by the increase in costs, particularly in salaries and contractors, where the full impact of unions' regulations applied to contractors.

Finally, Edenor's presented a net loss of AR\$91 million in the first quarter of 2012, mainly due to the increase in expenses previously mentioned. The net loss includes net gains of AR\$24 million from the sale of Edesa and AR\$12 million from Eden. Without the subsidiaries, net loss would have been AR\$127 million for the first quarter of 2012, which compares to a loss of AR\$35 million for the same quarter of 2011.

Overall, Pampa's net income for the first quarter of 2012 amounted to a loss of AR\$47 million, compared to a gain of AR\$15 million under Argentine GAAP in 2011. The main difference is that under Argentine GAAP we don't include in 2011 the registration of the gain for the purchase of Eden and Emdersa as I was telling before.

Finally, I want to end this conference call with an update on the general status and situation of Pampa, Edenor and Transener. As you have probably read in the newspapers, a couple of weeks ago we began working with the new directors appointed by the Government and other Government officials to show them all the figures of Pampa, Edenor and Transener. My view on this is very optimistic as I see it as a sign that the Government is becoming more and more aware of the difficulties going on, especially in Edenor. They are studying the possible solutions to cope with these facts. I have no idea on this solution or the design of this solution but I think that it is very positive that we have once again established this flow of information with the regulator and the Government in general. As I mentioned in our previous conference call, particularly in Edenor where the situation is more dramatic than in generation and other segments, the situation has reached a point where delays in obtaining some solution from the Government, being tariff increases, subsidies, or financial support, Edenor could face cash difficulties in the short term. As I was mentioning two months ago, the second semester will be very difficult to end without any solution coming on. We expect that to happen in the next

90 or 120 days. We are working hard in terms of finding ways to going through this situation. With this respect, we are very positive about the sale of Edesa, plus the sale of Edesal last year as well as about the recovery of all financial support we made to our subsidiary last year with the intent of reducing financing costs. So we improved the cash situation of Edenor, but they are no miracle that lasts forever.

So this concludes my review but as you know, I am always open for your questions if you have some. Thank you very much.

QUESTION 1, Héctor Rocha, Ice Canyon: Regarding the Government may be taking over Cammesa, do you have an opinion? Do you think these are only rumors at this point? How do you think it could affect Edenor?

Ricardo Torres: I read that in the newspaper, I do not have better information than that. As you know, Cammesa is a non-profit company owned by fifth of the distributors, generators, transmission companies, big users and the Government. The main responsibility of Cammesa is to organize and clear the economic transactions and to dispatch the sector. So, I do not think that there would be a big impact in changing that from a fifth participation to a total State-owned entity, if that is the only change.

Hector Rocha: Where do you see the Government actually intervening to help Edenor? Where do you see it is most likely to happen?

Ricardo Torres: Really I do not know. I think that there are different ideas in the Government and that they are working on them. There are not many alternatives. One is to increase the tariffs so to make the clients pay for the extra costs the system is facing for the last couple of years. The second is to receive some support from the Government that today we are not receiving, so to make the Government or the system to take that part of the share of the cost. When you talk about collecting that from the clients, more alternatives exist: you can choose among clients, choose to increase collections through PUREE or through tariffs. Any way would be more or less the same. I think that we are at the stage when the Government understands the level of the deficit and the sources of the increased costs. Especially for the case of Edenor, since 75% of our costs are labor costs, there is no mystery. Labor cost was growing at an average rate of 30% per year for the last three years. I will have a better answer in the short term and I apologize for not having a better answer now.

QUESTION 2, Darin Batchman, Stone Harbor: In line of the cash that will be coming out from the sale of Edesa and possibly from the sale of Eden, you have as of March 31st a fair amount of cash on the balance sheet. Could you walk us through what you anticipate using that cash for, whether it is for operational needs or if it will be attributed to some specific program or plans you have in mind?

Ricardo Torres: Today we are just thinking in maintaining the operations alive. But there are two things for which we are no going reduce expenses: one is the investment program, given our obligation with the service and the regulator providing the quality of the service. So investments will not be cut. I thus don't have plan other than supporting investment and operating costs until a final solution is reached.

Darin Batchman: Then you have no plan for debt buyback at this moment?

Ricardo Torres: Not at this moment.

QUESTION 3, Isabela Bacchi, JP Morgan: I have two questions, one from an accounting point of view: Do you adjust debt on the balance sheet using the market price of the bonds? Because when I look at the balance sheet I see a total debt of US\$299 million of total debt. And when I look on the breakdown on page 10, including accrued interest, I obtain a result of US\$309 million when summing everything. Is this difference due to the market price of the bonds?

Ricardo Torres: No, the bonds are accounted at face value, less the repurchases of bonds made last year.

Isabela Bacchi: US\$268 million in 2022 bonds, plus US\$24.8 million in 2017 Senior Notes, then you have AR\$15 million in debt, close you have I understand you have US\$14 million in accrued interest. Adding them all, I obtain a sum of US\$309 million. Unless you are not including accrued interest on your balance sheet?

Ricardo Torres: I do not think that. I will try to get you the answer, but the debt is with accrued interest and at face value and there is no reduction. There must be some accounting issues related to the expenses when at issuance.

Isabela Bacchi: Ok, we can follow up later. Just a question on the money you received from the Framework Agreement. You mentioned an AR\$38.9 million from the National Government and AR\$7 million from the Province. Was that all in the first quarter or some of it was in the second quarter?

Ricardo Torres: No, some of it is in the second quarter also. Especially for the Province of Buenos Aires, I am sure that was after that. The Province of Buenos Aires owe us a lot more money than the National Government.

Isabela Bacchi: Is that something that, you believe, will be recurring?

Ricardo Torres: It is recurring but the point is that we have accrued a lot of delayed payments with more than a year of delay. For instance all of 2010 was paid in this first quarter I think. So, if the National Government and the Provincial Government stay perfect with the maturity of their debt, it would be a recurring thing, could be AR\$2 to 3 million per month. The problem is that eventually they stop paying, and then you need to negotiate and then they pay again. So the thing is more random, but finally, it must be consumption.

Isabela Bacchi: Ok, thank you very much.

QUESTION 4, Carolyn Kedersha, The Boston Company: Can you give us a little bit more clarity on your trade receivables in terms of the aging and the tenors of it? How much of it is from Government related parties and how much from the private sector? What about the timing?

Ricardo Torres: In terms of Edenor, I would say that our credits are the normal billing time all the clients had, and most of the clients are from the private sector. In the generation segment, we have a lot of delayed payment from the National Government, amounting I think to almost AR\$400 million. The only more or less significant Government entity that owns

money to Edenor is the city of Buenos Aires that I think something like it owes about AR\$5 million. The rest is almost entirely private.

Ricardo Torres: Thank you very much. Sorry if I cannot be more clear about the near future. I expect to have more news in the next conference call, news I hope to be positive. Thank you very much for participating to the conference call. Again, we are available for any further question, good morning.