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## **Pampa Energía and Edenor 1Q 2013 Conference Call**

Presenting:

**Leandro Montero, CFO of Edenor**

**Lida Wang, IR Associate of Pampa Energía**

**Leandro Montero:** Thank you very much. Good morning everyone and thanks for joining us on this joint conference call of Pampa Energía and Edenor. As we did last conference call, myself Leandro Montero, will be presenting for Edenor first, and then Lida Wang will present for Pampa Energía.

As usually, we will focus first on the main events that took place in the last months and then briefly review the results of the first quarter of 2013. As you know, you can always call anybody of our team for more details on the results of the period or any doubts you might have.

So going to the relevant events of Edenor for the quarter, as we said in the last conference call of the 4Q 2012, since February the Company, the National Authorities and the Electric Light and Power Labor Union entered into a salary agreement for a term of eighteen months which establishes an 18% increase as from January 2013, a 5% non-cumulative increase as from June 2013 and a 7% cumulative increase as from January 2014.

On April 5<sup>th</sup>, as a part of the closing of Eden's sale, the Trust received as contributions, Argentina's public debt securities for a face value of 262 million pesos as part of the guarantee of this transaction. The purchaser is required to complete the full amount on or prior to December 31, 2013, of Argentina's sovereign bonds for an amount of approximately 64 million pesos. At the closing date of this transaction, the Company divested this business segment resulting in a loss for 2013 of about 194.3 million Pesos or 104.9 million Pesos loss after income tax effect, but without including any effect for the repurchase of our debt. Please remember that with IFRS adoption in 2012, the Company had registered in 2011 a gain of 255.5 million Pesos or 166.1 million Pesos after income tax effect, because of the acquisition of this asset

As of today, the Trust purchased in the open market 19.3 million US\$ of our Class 9 Notes due 2022.

Regarding our debt, on May 7<sup>th</sup>, we completed the payment of the last amortization and interest coupon of our Pesos Note due 2013, paying a total of 6.1 million pesos.

As an update to the situation with CAMMESA, our past due balance as of the date of this quarterly report was 656 million pesos, representing approximately the 45% average of the bills maturing in the period October 2012 - April 2013.

On May 9<sup>th</sup>, the board of directors' approved the Financial Statements corresponding to the period ended March 31, 2013, pursuant to which the Company recorded, as of such date, a negative shareholders' equity of 92.3 million Pesos.

After the board of directors' meeting that approved the Financial Statements, we were notified of the Resolution No. 250 of the Energy Secretariat which, among other things, would allow to offset the debt that the Company maintains in connection with the Program for the Rational Use of Electricity Power (PUREE), which pursuant to such Resolution amounts to approximately 1,483.3 million Pesos, ) against the credits that the Company is entitled to by the Cost Monitoring Mechanism (CMM) contemplated under the Adjustment Agreement which were not recognized until February 2013 and which would amount to approximately 2,237.8 million Pesos according to the same Resolution. In addition, the Resolution instructs CAMMESA to issue Sale Settlements with Maturity Dates To Be Determined (Liquidaciones de Ventas con Fecha de Vencimiento a Definir) in an amount equal to the excess of this compensation, and authorizes CAMMESA to receive such Sale Settlements with Maturity Dates To Be Determined as partial payment for the debt owed by Edenor to CAMMESA as of the date of issuance of the Resolution.

The terms and conditions, as well as the impact of such Resolution are being analyzed by the Company. Upon initial analysis, an implication of this Resolution would be that the negative shareholders' equity recorded under the Company's Financial Statements as of March 31, 2013, would be reversed and initially no additional cash flow is expected with this measure. This Resolution does not translate into tariff, nor will it have any impact on our clients.

In regards to the negative shareholders equity before mentioned, pursuant to the original Trading Rules, the Buenos Aires Stock Exchange suspended for one day the listing of our shares. Finally, the Buenos Aires Stock Exchange revoked the suspension of the Company's Class B Common Shares.

Going to the results of Edenor of the first quarter of 2013 under the International Financial Reporting Standards (IFRS), we are presenting standalone figures taking into account the divestiture of Aeseba's assets.

So going now to the results of Edenor, in the first quarter of 2013 net sales increased almost 18%, reaching 836 million pesos, compared to 709 million pesos in the same period of 2012. This variation was mainly due to the additional income from the Resolution 347 set by the government in November 2012, which represents approximately 137 million pesos, partially offset by a decrease in the volume of energy sold, mainly due to a lower demand by residential customers comparing the same period of 2012.

Operating expenses also increased approximately 46%, mainly due to a rise in labor costs, since first quarter of 2013 includes full impact of the 2.410 Pesos fixed amount per employee and the 18% increase from January 2013 agreed with the Union in February.

Edenor had a net operating loss of 273 million pesos in the first quarter of 2013, compared to a 102 million pesos loss in the same period of 2012. This increase in losses was basically caused by higher operating expenses, which couldn't be totally offset by the increase in sales as I explained before.

Finally, and taking into account higher losses due to increased exchange differences, accrued interests related to CAMMESA debt, the increase in operating expenses before mentioned and the discontinued operations basically due to the divestiture of Aeseba, Edenor reported a net loss of 510 million pesos in the first quarter of 2013, compared to a net loss of 91 million pesos in the same period of 2012.

Nevertheless, remember that part of the operating deficit of Edenor is offset by the PUREE funds, which are not accounted as revenues. During the first quarter of 2013 we retained under PUREE concept 130 million pesos, 51 million pesos more than the 79 million pesos registered in the first quarter of 2012.

Regarding Edenor's capital expenditures, during the first quarter of 2013 it reached 190 million pesos, including Focede funds, versus 98 million pesos in the same period of 2012.

Finally, in relation to Edenor's adjusted EBITDA in the first quarter of 2013 was a loss of 84 million pesos, compared to the positive 19 million pesos of the same quarter of 2012.

So this concludes my review on Edenor, I will now leave you with Lida Wang, investor relations associate of Pampa Energía, who will review other relevant events of the group, as well as the consolidated results. After that, we will be open for questions.

**Lida Wang:** Thank you Leandro, and good morning everyone. I'll begin first with the relevant events of the quarter for Pampa, excluding the ones already mentioned by Leandro.

First, let me start with an important regulatory event for the generation segment, that took place at the end of March when it was published the Resolution 95, setting a new remuneration scheme. There's going to be three items of payment: number one, the fixed costs payment, which will go to the investment in installed capacity, was increased from 12 pesos per MW to 31 and 53 pesos per MW for thermal power plants, and 17 to 37 pesos per MW for hydro units. Fixed payment for each generator is subject to meeting historical and target availability, and which generation technology is. Number two, the variable costs payment, which will remunerate the operation and maintenance, was also raised from 8 to 13 pesos per MWh to a range of 19 to 57 pesos per MWh for thermal units, and will depend on the generation technology and fuel fired. In the case of hydros, it is slightly more from what we used to receive of O and M. And finally, there is a third item called additional remuneration, by which thermal and hydros will obtain an extra payment of 13

pesos and 90 pesos per MWh respectively, but only 60 to 70 percent will be collected directly by the generator, being the remaining destined to a trust for financing new projects in the electricity sector. The Resolution also suspends the term market contracts known as MAT, except those markets set under differential remuneration schemes like 220 Contracts at Loma de la Lata or Energía Plus in Güemes. So, Large Users shall directly acquire electricity to CAMMESA, instead of dealing with a particular generator.

However, to be framed into this scheme, each generator agent is required to desist from any and all administrative or judicial procedures initiated, and quit any right to initiate or promote any administrative or judicial procedure. We understand that this represents an important income to our power plants; though we have not ceased any administrative or judicial procedures and still analyzing the implications of this Resolution. In our case, it would mean not to collect 60 million pesos related to 2012's Generators Agreement, and nothing more.

Moving to our thermal plant Loma de la Lata and regarding the arbitration process that it is held against the expansion's contractor Isolux, both parties filed their memorials supporting their lawsuits and updated their monetary claims, in which Loma de la Lata is demanding 150 million dollars. This amount does not include other damages suffered from the last accident in last November, which is Isolux's responsibility.

Also, in relation to said accident, as of today Loma collected approximately 40 million pesos as advance payment to be taken into account for future insurance compensation. We expect that the steam turbine will resume operations by the end of May.

Finally, regarding debt operations of our subsidiaries, particularly our oil and gas exploration and production company Petrolera Pampa, which issued two series of short-term notes on March, Series V for 78 million pesos at Badlar plus 2.99% (remember that Badlar is the interest rate paid in Argentina for deposits of over 1 million pesos) and Series VI Dollar Link for 4.3 million dollars at a fixed interest of 0.01%. Both instruments are maturing bullet in one year. We highlight that both issuances were made under 'inciso k', a highly liquid market in pesos, comprised by insurance companies obliged to invest in productive and national projects.

Going to the consolidated results of Pampa Energía, first of all let me remind you that under International Standards we are no longer consolidating line by line 50% of Transener as we used to do under Argentine GAAP, and therefore participation in this 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, as done previously under Argentine GAAP. And we are also including in our EBITDA calculation 50% of Transener. Moreover, we are still not including TGS in our figures, given that we haven't been approved yet to co-control CIESA, which is pending an administrative stage at the antitrust authority.

So moving on to the results, in the first quarter of 2013 we presented a negative adjusted EBITDA of 119 million pesos, compared to a positive 177 million pesos for the same period of 2012, mainly due to decreases of 195 million pesos in generation and 109 million pesos in distribution, which were partially offset by increases of 2 million pesos in the transmission and 6 million pesos in holding and others.

The lower adjusted EBITDA at our generation segment was mainly given by a lower EBITDA of Loma de la Lata, which amounted to 74 million pesos loss in first quarter of 2013 contrasted with a gain of 83 million pesos in same period of 2012, basically as a result of the accident in November 2012. Additionally, lower availability in Piedra Buena and Güemes as well as the poor dispatch at our hydro units negatively affected our generation revenues.

The adjusted EBITDA at our transmission segment rose 20% compared to the first quarter of 2012, mainly due to a higher collection in this quarter from the Agreement reached with CAMMESA of 17 million pesos, compared to 4 million pesos in first quarter of 2012. In said Agreement, Transener and Transba were recognized cost increases from June 2005 until November 2010. Also, it is included the income recorded as financial result related to the fourth line, for 9 million pesos, versus 12 million pesos on same period of last year.

Moving on briefly to the distribution segment which was previously reviewed by Leandro, during the first quarter of 2013 the adjusted EBITDA decreased by 109 million pesos on a consolidated basis, mainly due to increases in Edenor's operating, labor and third party costs.

The holding and others segment presented a slightly higher adjusted EBITDA than in first quarter 2012. This was mainly given by the reallocation of employees from the holding to the generation segment, recording a fall in selling and administrative expenses of 47% compared to the same period of 2012. This effect was offset by Petrolera Pampa's EBITDA, which recorded 3 million pesos in this quarter compared to 10 million pesos in last year's quarter, explained by a lesser margin in gas production and increase in well's depreciations.

Finally, in terms of net income, Pampa presented a consolidated loss of 606 million pesos in the first quarter of 2013, of which 387 million pesos corresponds to the shareholders of the Company, compared to a loss of 71 million pesos in same period of 2012, of which 47 million pesos corresponded to the shareholders of the Company.

So this concludes our review of Pampa and Edenor, now we open the floor for questions. Thank you.