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Pampa Energía and Edenor Q1 2014 Conference Call

Presenting:

Leandro Montero, CFO of Edenor
Mariano Batistella, IRO 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 Mariano Batistella will present for Pampa Energía.

As usually, we will focus first on the main events that lately took place and then briefly review the results of the first quarter of 2014. 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 during this quarter, and regarding the Trust created due to the sale of our assets in Eden, in March of this year the Trust completed the purchase of our Notes having no more available funds. As a consequence, we have begun the process of dissolution of the Trust, which totalized purchases in the open market of 68 million dollars principal amount of our Notes due 2022 and 10 million dollars principal amount of our Notes due 2017. These Notes have been later cancelled from financial debt on March 27, 2014.

Additionally, in connection with our debt, on April 9 and April 25, 2014 we serviced the interest coupon of our Notes due 2017 and Notes due 2022 for an amount of 0.8 million dollars and 9 million of dollars, respectively.

Moving to the current situation of the FOCEDE Trust, during the months of March and April 2014, Edenor has been affording the necessary payments to suppliers in order to achieve the estimated Capex while the investment plan presented to the FOCEDE authorities is being approved.

On April 29, 2014 the General Annual Shareholder's Meeting of Edenor took place and resolved the approval of the Financial Statements as of December 31, 2013, the Board of Directors' performance and determined that the profit for the fiscal year 2013 were absorbed by the Retained Earnings/Accumulated deficit account for an amount of about 772 million pesos.

Finally, regarding the financial situation of the Company, we should highlight that as of March 31, 2014, the negative results recorded during this first quarter resulted in an Accumulated Deficit that consumed more than 50% of the Company's share capital. Should this situation continue to remain the same in the following months and no other recognition of cost increases or tariff increase were granted by the pertinent authorities, the Company will be subject again to Negative Shareholders' Equity in the near future.

Furthermore, our liquidity level and working capital remain severely affected with a deteriorating trend, due mainly to both, the continuous increase of our operating costs and mandatory capex that are necessary to maintain the level of service and the delay in obtaining rate increases or any recognition of our real higher costs. At this point, last measures taken as Resolution 347 in 2012 and Resolution 250 in 2013 are being insufficient to restore the balance that the economic and financial equation of the public service requires.

Despite of the fact that the Company, as an extreme action, has been forced to finance its operating deficit and negative cash flows with partial payments to CAMMESA for energy purchases, we cannot assure that this source of financing will be enough and so, that this situation will be sustainable in the following months, unless any measure increasing our income or inflow were taken in the short time.

So going now to the results of Edenor, in the first quarter of 2014, net sales increased about 8%, reaching 901 million pesos, compared to 837 million pesos in the same period of 2013. This variation was mainly due to the increase in the volume of energy sold partially offset by a decrease in the additional income from the Resolution 347 set by the government in November 2012. Besides that effect, we registered a decrease our electric purchases, mainly as a consequence of the partial reduction authorized for the period November 2013 - April 2014 in the cost of mobile generation used by the Company.

Operating expenses increased approximately 32% mainly due to an increase in labor costs generated by salaries increases granted in January 2014 and an increase in our stable workforce, a rise in remuneration for services from contractors, also related to increases to unionized employees and an increase in supplies consumption.

As a consequence of the increase in operating expenses, Edenor had a net operating loss of 378 million pesos in the first quarter of 2014 compared to a 286 million pesos loss in the same period of 2013. Both results were basically impacted by higher operating expenses which could not be totally offset by sales increases.

Finally, Edenor reported a net loss of 739 million pesos in the first quarter of 2014, compared to a net loss of 510 million pesos in the same period of 2013.

This was mainly as a consequence of the increase in operating costs described above, and higher Net financial expenses including exchange differences of 261 million pesos triggered mainly by the devaluation in January 2014, commercial interests accrued to CAMMESA of 13 million pesos and income tax losses for about 18 million pesos.

In relation to Edenor's adjusted EBITDA resulted in a loss of 201 million pesos in the first quarter of 2014, compared to a loss of 97 million pesos of the same quarter of 2013. As usual, these figures include funds retained under PUREE concept which totalized 110 million pesos during the first quarter of 2014, compared to 130 million pesos registered in the same period of 2013.

Finally, regarding Edenor's capital expenditures, during the first quarter of 2014 our investments increased about 45% reaching 275 million pesos, including FOCEDA funds, vis-à-vis 190 million pesos in the same period of 2013, mainly focused on grid enhancements and new connections.

So, this concludes my review on Edenor, I will now leave you with Mariano Batistella, investor relations officer 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.

Mariano Batistella: Thank you Leandro and good morning everyone. I'll begin with the relevant events of Pampa since our last call of March.

In relation to our thermal plant Piedra Buena, during the last months we signed two agreements with CAMMESA. First, on April of this year we agreed to repay 51 million pesos owed to CAMMESA with credits with no defined maturity that Piedra Buena had against CAMMESA. The proceeds from the loan granted by CAMMESA were originally used for capex in Piedra Buena over the last years.

Second, Piedra Buena signed a new loan with Cammesa for an estimated amount of 83 million dollars, plus around 14 million dollars of nationalization charges, plus VAT. The funds from this loan will be used for mayor maintenance works in both units. But more

importantly, the repayment of the loan will only be done with 50% of the operating free cash flow of Piedra Buena, which means that we won't have to repay the loan unless we have positive operating cash flow.

Moving to debt issuance, a couple of weeks ago Petrolera Pampa, our oil and gas subsidiary, issued 123 million pesos at Badlar plus 3.95 percent maturing in one year, which was used to refinance debt.

Finally, on the Shareholder's Meeting of Pampa held on April 30, the shareholder ANSES exercised its cumulative voting right and appointed Lucía Belén Gutiérrez as new member of the Board. In that sense, remember that now the ANSES has appointed 3 directors in Pampa, out of 10.

Going to the consolidated results of Pampa, 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 and EBITDA, we are including 50% of Transener in the transmission sector, as done previously under Argentine GAAP. 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 2014 we presented an EBITDA of 78 million pesos, compared to a negative EBITDA of 140 million pesos in the same period of 2013, mainly due to increases of 224 million pesos in generation, 74 million pesos in transmission and 29 million pesos in holding, which were partially offset by a decrease of 109 million pesos in distribution.

The higher EBITDA at our generation segment was mainly given by a higher EBITDA of Loma de la Lata, which as you know restarted operations of the combined cycle last June, presenting an EBITDA of 139 million pesos in the first quarter of 2014, compared to negative 76 million pesos in same period of 2013. And also, thanks to a lower negative EBITDA at Piedra Buena given by its higher availability and dispatch.

The EBITDA at our transmission segment rose 74 million pesos compared to the first quarter of 2013, mainly due to a higher accrual in this quarter from the Instrumental and Renewal Agreement which amounted to 70 million pesos, compared to 10 million pesos in the first quarter of 2013. Also, we include the difference between actual collected amounts versus accrued sales corresponding to said Agreements for 62 million pesos in the first quarter of 2014 versus 17 million pesos in the same period of last year. Plus, we also

include the income recorded as financial result related to the Fourth Line for 11 million pesos, versus 9 million pesos on the same period of last year.

Moving on briefly to the distribution segment which was previously reviewed by Leandro, during the first quarter of 2014 the EBITDA decreased by 109 million pesos on a consolidated basis compared to the same period of 2013, mainly due to increases in Edenor's operating, labor and third party costs.

The holding and others segment presented an EBITDA of 36 million pesos in the first quarter of 2014, compared to 6 million pesos in the same period of 2013. This increase was given by an increase of 39 million pesos in Petrolera Pampa's EBITDA, given by a 44% increase in the production of natural gas with respect to the first quarter of 2013.

Finally, in terms of net income, Pampa presented a consolidated loss of 720 million pesos in the first quarter of 2014, of which a loss of 390 million pesos corresponds to the shareholders of the Company, compared to a loss of 387 million pesos in the same period of 2013. As you are aware, our net income was mainly affected in this quarter, by a loss of 628 million pesos from exchange difference due to the peso devaluation of last summer.

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