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## **Pampa Energía and Edenor 2Q 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 second 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 period or any doubts you might have. We also have a complete set of figures in our webpage that you can access.

Going to the relevant events of the quarter, first of all a month ago Pampa reached a settlement agreement with Petrobras, in which both parties agreed to withdraw all claims between Petrobras, AEI, and Pampa. Pampa received that claims as part of our acquisition of AEI assets at the beginning of 2011.

The agreement includes as a condition, the cancelation of the entire unpaid debt of CIESA due since 2002. So, Pampa received from CIESA the 4.3% ownership of TGS; 87 million dollars which were used to cancel 70 million dollar of the 90 million dollar loan granted by Citibank N.A. and Standard Bank to finance the acquisition of CIESA debt, and Pampa was appointed as beneficiary and custodian of the 40% of the shares in trust of CIESA. Once the pending governmental approval is obtained, the shares in trust will be transferred to Pampa in accordance with the terms of the Restructuring Agreement.

Also related to this, on July 31 Pampa instructed the Arbitration Tribunal of the ICSID, to suspend the arbitration proceedings filed by Enron Creditors against the Republic of Argentina which originally involved a claimed amount of approximately 167 million dollar. The referred suspension was a commitment undertaken by Pampa and Petrobras before the Argentine Antitrust Authority and the Argentine Gas regulator Authority, as stipulated in the Restructuring Agreement of CIESA.

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 and contractor. In relation to that, on June 8 Loma reached an agreement with the insurance companies for a compensation of 30.5 million dollars. To the date of today, the compensation was totally paid to Loma.

Regarding the claim against the contractor, we are still pursuing all the appropriate compensations for the damages suffered as a consequence of the accident and its delays.

Pursuant of the received funds, we decided to place a tender offer to repurchase part of its outstanding bonds due on 2015 for up to 25 million dollar in cash. The offered price was 470 pesos for each 100 dollars nominal amount, repurchasing a total nominal amount of 24.3 million dollars, and therefore we paid 120 million pesos including accrued interests.

Another important issue is that Eden, our distribution subsidiary that provides service in the northern and central region of the Province of Buenos Aires, was granted with a 9% average tariff increase, representing a 16.0% increase in the Distribution Value Added. The new tariff scheme is applied since July 1.

Going to the results of the second quarter of 2012, remember that we are presenting figures under the International Financial Reporting Standards (IFRS). Because of that, we are restating the comparative figures of the second quarter of 2011. So whenever you see 2011 figures, they have been restated to comply with International Standards.

In the second quarter of 2012 we presented an adjusted EBITDA of 96 million pesos, 47% lower than the 180 million pesos for same period of 2011. This was given by decreases of 24% or 3 million pesos in transmission and of 134 million pesos in distribution, which were partially offset by increases of 108% or 44 million pesos in generation and a higher gain in holding and others of 8 million pesos.

Please have in mind that because Emdersa is under sale process and its spin-off completion is pending, since this quarter we are no longer including Emdersa's results except of Piquirenda, which results are included in generation segment.

Also, let me remind you that we are no longer consolidating line by line 50% of Transener, as per the new guidelines, 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. And we are also including in our EBITDA calculation 50% of Transener, as we used to have before implementing IFRS.

Moreover, we are still not including TGS, given that we are yet approved as shareholders of CIESA by the Secretary of Commerce. All other approvals are in place. TGS would be recorded in Pampa's Income Statement as a Joint Business, as Transener.

The higher adjusted EBITDA at our generation segment was given by a higher EBITDA of Loma de la Lata, which amounted to 77 million pesos in 2012 versus minus 6 million pesos in 2011, as a result of the beginning of commercial operations of the combined cycle. That is an increase of almost 83 million pesos 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 discontinued 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 12 pesos to between 35 pesos

to 42 pesos depending on the technology, and this agreement was suspended by the Energy Secretariat in January of this year. Almost 34 million pesos of potential revenues for second quarter of 2012 were wiped out from our results.

The lower adjusted EBITDA at our transmission segment was affected mainly by a lower operating income because of increased costs, especially labor costs, with no recognition on our tariff. The adjusted EBITDA includes the collections net of accrued sales from the application of the Instrumental Agreement, for 5 million pesos and fourth line project income, which under IFRS is accounted below operating income, for 9 million pesos. These amounts are slightly lower than the figures registered in the second quarter of 2011.

With respect to the distribution segment, during the second quarter of 2012 the adjusted EBITDA decreased by 134 million pesos, mainly due to decreases in Edenor's stand-alone EBITDA for 62 million pesos and Eden's EBITDA for 25 million pesos, and the de-consolidation of Emersa's results for 47 million pesos, amount that was included in Pampa's second quarter of 2011 adjusted EBITDA. Emersa would have contributed 52 million pesos in this quarter of 2012. This reflects the fact that EDESAL and EDESA were sold as well as Piquirenda will be.

Going more into detail on Edenor on a stand-alone basis, in the second quarter of 2012 net sales reached 726 million pesos, compared to 552 million pesos in the same period of 2011. This variation is mainly due to an increase in the electricity price caused by cut in subsidies to certain clients, and the increase in the electricity volume of 3%.

Edenor's gross margin rose by 7% reaching 301 million pesos, due to the increases in the pole rentals and a higher volume of electricity, and the recovery in the Framework Agreement, under which during 2012 Edenor collected 46 million pesos from the National Government and 2 million pesos from the Government of the Province of Buenos Aires, partially offset by increases in the cost of energy bought from mobile generators, which is charged since June 1. Edenor is not allowed to pass-through the cost increase, so we are doing our protest before the regulator.

Operating expenses increased 40%, mainly due to a rise in labor costs and a re-categorization of certain contractors from Edenor, carried out in the first quarter of 2011, giving a full impact in this quarter vis a vis to same period of 2011, and extra costs we afforded to repair the lines damaged by the heavy storm that affected our concession area on April 4<sup>th</sup> for 24 million pesos.

Edenor had a net operating loss of 206 million pesos in the second quarter of 2012, compared to the 90 million pesos loss in the same period of 2011. This reduction is basically caused by decreases in operating margin and Edenor's subsidiaries results.

Finally, Edenor reported a net loss of 266 million pesos in the second quarter of 2012, compared to a net loss of 97 million pesos in the same period of 2011. Again, this negative variation is due the decrease in operating margin described above and higher financial expenses due to exchange rate differences from accelerating peso devaluation and US dollar denominated debt.

Our costs increases were partially offset by the PUREE funds, which are not accounted as revenues. During the second quarter of 2012 we retained under PUREE concept 126 million pesos, 31 million pesos more than the 95 million pesos registered in the second quarter of 2011. These funds are retained in compensation of costs increases, not yet invoiced to our customers, since it is not incorporated in our tariff scheme. We are recording it as a liability.

Regarding Edenor's capital expenditures, during the second quarter of 2012 it reached 119 million pesos versus 86 million pesos spent in the same period of 2011.

And at last, moving to holding and others segment, the adjusted EBITDA are mainly from our operations in Petrolera Pampa, which accounted 7 million pesos of adjusted EBITDA in the second quarter of 2012 compared to 4 million pesos in 2011.

Wrapping up, Pampa's net income for the second quarter of 2012 amounted to a loss of 101 million pesos, compared to a loss of 118 million pesos under IFRS in 2011.

I want to end this conference call with an update on the general status and situation of Pampa, Edenor and Transener. For the past four months we have been presenting to the new directors appointed by the Government and other Government officials from Ministry of Economy all the figures of Pampa, Edenor and Transener, handing out all the requested information. We are waiting for the outcome, which we understand the Government is working on. In terms of timing, I want to highlight that Edesur, the second largest electricity distribution company in Argentina after Edenor, started to reduce payments to CAMMESA for its energy purchases. This marked a dramatic milestone, since it negatively affects CAMMESA's collections and more important, alerts the urgent need of a solution to the sector, as soon as possible. Think that there's another large distribution companies such as Edemsa from Mendoza, Edelar from La Rioja, Edelap from the Province of Buenos Aires, and other cooperative distribution companies from the south of the country, that are also delaying payments to Cammesa for significant amounts. So, we think that we should expect some news in the short term. We are doing the best we can to improve the cash situation of Edenor, but as I said many times before, the current situation will not last 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.