

Buenos Aires, August 14<sup>th</sup>, 2013 (10 am Eastern Time)

## **Pampa Energía and Edenor 2Q 2013 Conference Call**

Presenting:

**Leandro Montero, CFO of Edenor**

**Mariano Batistella, IR Officer 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 took place in the last months and then briefly review the results of the second 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, according to Resolution 250 issued by the Secretary of Energy in May this year, the Company recorded an additional income of 2.4 billion pesos from the CMM or Cost Monitoring Mechanism partial recognition and the corresponding net interests. The company was also authorized to compensate the credit recognized by the CMM with the 1.4 billion pesos debt registered as of February 2013 under the PUREE or Programa de Uso Racional de Energía Eléctrica.

As stated in the resolution before mentioned, CAMMESA was instructed to issue Commercial Documents for the surplus generated after the said compensation and authorized to partially compensate the debt that Edenor had with the Wholesale Electricity Market due May 7, 2013 of 678 million pesos, interests included. In addition to this, Edenor is entitled to deposit the remaining Commercial Documents with Maturity Dates to be Determined in the Trust created pursuant to Resolution No. 347 of 2012.

As of the date of this quarterly report, the Company is still waiting for the approval of the amounts to be compensated, because the said Commercial Documents have not yet been issued by Cammesa.

It is important to highlight that this effect does not imply a tariff increase and it just represents an accounting compensation of expenses incurred by the Company in the past that allowed us to reverse negative shareholder's equity stated in our Financial Statements as of March 2013.

Moving to Eden's Sale reported last quarter, as of today Eden's Sale Trust purchased in the open market 50 million dollars of our Class 9 Notes due 2022 and 10 million dollars of our class 7 Notes due 2017, resulting in a gain of 44 million pesos.

Also related to our subsidiaries purchase and sale transactions, on August 5th this year the Company was notified of Resolution 216 of the ENRE, by which the Regulator formally authorized the acquisition by Edenor of EMDERSA and EDEN assets in March 2011.

In July 2013, the Company and Nación Fideicomisos subscribed an Addendum to the Financial Trust created on November 2012 under Resolution No. 347, by which Nación Fideicomisos in its role of trustee will issue Debt Representing Values under the public offering scheme authorized by the Argentine Securities Commission with a maximum nominal value of 313 million pesos. The purpose of these funds will be the financing of the Company's investment plan under the Resolution 347 Trust.

Finally, in June 2013, we completed a 5% non-cumulative increase in salaries that have been granted to the employees, resulting in a 23% increase as from January 2013.

With respect to the results of Edenor, we are presenting standalone figures in 2013 taking into account the divestiture of Eden's assets this year.

So going now to the results of Edenor, in the second quarter of 2013 net sales increased almost 16%, reaching 820 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 100 million pesos in the quarter. Besides that effect, we registered an increase in the volume of energy and capacity sold of about 2.4%.

Operating expenses also increased approximately 45%, mainly due to an increase in ENRE penalties and a rise in labor costs which includes the impact of the 18% since January 2013 and 5% non-cumulative increase in June 2013 agreed with the Union in February as I mentioned before.

In line with the operating losses accounted for during the latest quarters, Edenor had a net operating loss of 423 million pesos in the second quarter of 2013 before the effect of Resolution 250, compared to a 235 million pesos loss in the same period of 2012. Both results were basically impacted by higher operating expenses, which couldn't be totally offset by sales increases or the new fixed charges.

Finally, taking into account (i) the partial recognition of cumulative costs under the Cost Monitoring Mechanism pursuant to Resolution 250 of approximately 2.2 billion pesos, (ii) the increase in net financial income mainly due to Eden's Trust repurchase of Edenor notes of 44 million pesos and positive interests of 172 million pesos under Resolution 250, and (iii) the charge of 148 million pesos in income tax, Edenor reported a net profit of 1.8 billion pesos in the second quarter of 2013, compared to a net loss of 259 million pesos in the same period of 2012.

Due to the accounting compensation recognized by the resolution 250 in the second quarter of 2013, the Company turned its accumulated deficit at March 31, 2013 into positive retained earnings, modifying the situation of corporate distress to which it had been exposed.

However, the constant increase in the operating costs that are necessary to maintain the level of the service, and the delay in obtaining tariff increases will continue to deteriorate the Company's operating results, demonstrating that this recognition is insufficient to restore the balance that the economic and financial equation of the public service, object of the concession, requires.

Moving on to our cash flow, during the second quarter of 2013 we retained under PUREE concept 150 million pesos, 24 million pesos more than the 126 million pesos registered in the second quarter of 2012.

Regarding Edenor's capital expenditures, during the second quarter of 2013 it reached 280 million pesos, including FOCEDE funds, compared to 119 million pesos in the same period of 2012.

Finally, in relation to Edenor's adjusted EBITDA, without including the effect of the before mentioned Resolution 250, there was a loss of 207 million pesos in the second quarter of 2013, compared to the positive 52 million pesos of the same quarter of 2012.

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 the quarter for Pampa, excluding the ones already mentioned by Leandro.

First, in relation to our thermal plant Loma de la Lata, on June 24 we solved the technical problems suffered on last November, which forced the Steam Turbine unit out of operation. Regarding the compensation from this accident, as of today we have collected from the insurance companies 92 million pesos as an advance payment, of which AR\$40 million pesos were collected and registered as of June 2013. We expect to collect the remaining amount in the next couple of months, which we estimate to be of around AR\$100-110 million pesos.

Moreover, on May Loma was notified by the Secretariat of the United Nations Framework Convention on Climate Change that the closing to combined cycle project was registered under the Clean Development Mechanism, in effect since March, 2013. Said registration will allow Loma to issue around 650 thousand green bonds or CERs per year, during a period of 7 years, renewable until fulfilling a 21-year period. Nevertheless, have in mind that the current market price of the CERs is close to zero, so we don't expect to have revenues coming from this in the short term.

Moving to debt operations of our subsidiaries, particularly our oil and gas exploration and production company Petrolera Pampa issued a Bond for 255 million pesos

at Badlar plus 3% maturing bullet in three years (remember that Badlar is the interest rate paid in Argentina for deposits of over 1 million pesos).

Finally, in transmission, on May Transener and Transba subscribed a Renewal of the Instrumental Agreement with the Secretariat of Energy and the National Electricity Authority, the ENRE, which recognized AR\$786 million pesos of credit to Transener and Transba coming from costs variations during the period of December 2010 to December 2012, calculated according to the costs variation index. Moreover, it determined an investment plan of around AR\$400 million pesos for 2013 and almost AR\$300 million pesos for 2014, subject to the collection of the credits recognized in said agreement.

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 second quarter of 2013 we presented a negative EBITDA of AR\$130 million pesos, compared to a positive AR\$51 million pesos for the same period of 2012, mainly due to decreases of AR\$51 million pesos in generation and AR\$149 million pesos in distribution, which were partially offset by increases of AR\$3 million pesos in transmission and AR\$16 million pesos in holding and others.

The lower EBITDA at our generation segment was mainly given by a lower EBITDA of Loma de la Lata, which amounted to AR\$12 million pesos in second quarter of 2013 compared to AR\$75 million pesos in same period of 2012, basically as a result of the accident in last November. The EBITDA does not include, however, the collection of the insurance for 3 million pesos in the second quarter of 2013.

The EBITDA at our transmission segment rose 30% compared to the second quarter of 2012, mainly due to a higher accrual of sales in this quarter from the Instrumental Agreement which amounted to AR\$32 million pesos, compared to AR\$6 million pesos in second quarter of 2012. Also, we include the difference between actual collected amounts versus the accrued sales corresponding to said Agreement for 4 million pesos in the second quarter of 2013 versus 5 million pesos in the same period of 2012, plus we also include the income recorded as financial result related to the fourth line for 9 million pesos, versus 10 million pesos on same period of last year.

Moving on briefly to the distribution segment which was previously reviewed by Leandro, during the second quarter of 2013 the EBITDA decreased by 149 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 an EBITDA of AR\$22 million pesos in the second quarter of 2013, compared to AR\$5 million pesos in the same period of 2012. This increase was mainly given by a rise of 19 million pesos in Petrolera Pampa's operating income, given by an increase of 6% in the production of natural gas.

Finally, in terms of net income, Pampa presented a consolidated profit of AR\$1.7 billion pesos in the second quarter of 2013, of which a gain of AR\$932 million pesos corresponds to the shareholders of the Company, compared to a loss of AR\$229 million pesos in same period of 2012, of which AR\$101 million pesos corresponded to the shareholders of the Company. This gain in 2013 was mainly determined by the recognition of Edenor's CMM, as explained before by Leandro.

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