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Pampa Energía and Edenor 4Q 2011 Conference Call **Presenting 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.

This is a particular conference call. For the first time, we are making a joint conference call for Pampa and Edenor. This was motivated by the changes in Edenor's management, where Alejandro Macfarlane and Rogelio Pagano resigned as CEO and CFO, being replaced by Edgardo Volosín as CEO, Leandro Montero as CFO, two very experienced professionals with more than twenty years of experience in the company, and myself as Chairman of the Board.

In this call I would like to make first a comment on the 2011 net loss, which comes mainly from Edenor, where the mix of increasing costs and frozen tariffs has deteriorated significantly its results. Then I'll review the main events that took place during the last couple of months and the main results of the group for the fourth quarter. 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.

In 2011, we reported a net loss of AR\$931 million, the most important in the Company's history. This loss is related, mostly, to the loss of Edenor in the Distribution segment, which accounted to AR\$854 million, and is composed by our participation in Edenor's loss during 2011 of AR\$296 million and a non-recurring loss of AR\$558 million related to an impairment done at Pampa of our investment Edenor, in order to comply with current accounting policies. However, it is worth mentioning that the PUREE penalty system collections, which in 2011 amounted to AR\$338 million, are not being registered as revenues but as a debt. Those funds helped Edenor to maintain in 2011 its investment plan and cope with the increasing operating costs. Generation, Transmission and Holding segments added losses of AR\$43 million, AR\$13 million and AR\$21 million, respectively.

I'll focus first on Edenor, given the big impact it had on our net loss. In 2011, Edenor presented a net loss of AR\$435 million, basically due to the continuous increase in costs, combined with frozen tariffs in the national regulated electricity distribution companies. It is especially significant the impact of salaries increases and the improvements given to labor unions, both for Edenor employees as well as those hired

by outsourced contractors. However, it is worth mentioning that certain temporary measures taken by the Secretariat of Energy, such as the possibility for Edenor to keep the PUREE collections, have allowed the company to maintain its investment plan and partially compensate operating cost increases, although PUREE funds are not registered as revenues in the financial statements, but as a liability. During 2011, PUREE funds reached AR\$338 million compared with AR\$296 million for last year.

It is also important to highlight that, due to the excellent restructure that Edenor achieved of its debt to a 12 year period, debt maturity was extended for more than a decade. At the same time, a significant reduction of the debt was carried out, from US\$541 million, in 2005, to US\$295 million in 2011. Thanks to the issuance of Edenor's debt at 12 years, the Company could obtain the resources to acquire Emersa and Eden, both electricity distribution assets which presented a great upside potential. Those assets were considered of strategic value and would allow the Company, as contemplated initially, to attain economies of scale and be able to develop efficiencies through the creation of the largest electricity distribution group in Argentina. Consequently, around 890 thousand additional clients from four provinces were added to the 2.7 million customers of Edenor.

However, after these acquisitions, Edenor's costs continued to increase while the negotiations with the regulator did not produce the expected results in the tariff scheme. This situation led Edenor's Board of Directors to decide to sell those investments that showed lesser synergies with Edenor and higher investors' interest. Therefore, Edenor agreed to sell Edesal (electricity distribution company in the province of San Luis), and granted an option to purchase Edelar (electricity distribution company in the province of La Rioja). In line with these actions, and to keep Edenor's focus in the distribution segment, where Edenor is specialized, it agreed to sell the generation power plant Piquirenda of 30 MW of installed capacity to Pampa Energía. In relation to the option granted to Andes to acquire Edelar, on February 2012 we agreed to extend this option, which originally ended in December 2011, until March of this year. All these operations are subject to Emersa's spin off, which is expected to be completed during 2012.

It is important to highlight that the difficulties in obtaining the recognition of revenues to compensate a scenario of incremental costs - not covered by PUREE funds - had a significant effect on the financial and economic equation of Edenor's Concession Agreement. Nevertheless, they did not affect the fulfillment of the obligations of Edenor to its clients, as contemplated in said Agreement, being the Board of Directors always aware of the high responsibility they have in managing a federal public service. However, if delays in obtaining tariff increases continue to extend in time in addition to new costs increases, Edenor could face cash difficulties in the short term. Nevertheless, Edenor's Board of Directors has positive expectations regarding the results of the negotiations being held with regulatory authorities. At the same time, we have filed the corresponding administrative claims to preserve Edenor's rights.

Given the situation previously mentioned, Edenor's executive committee decided on several measures that on the aggregate will save AR\$75 million in 2012: (i) first, a 50% reduction in the salaries of Edenor's high management, CEO and executive consultants, (ii) second, the suspension of all advertising and sponsorships, (iii) third, a cut in the productivity bonus of the year 2012. Also, on top of these measures, we are accelerating the collection of the intercompany credits given to Eden and Emdersa's subsidiaries, as well as the sale of assets, as already mentioned. These last two measures are additional to the AR\$75 million cost reduction mentioned above.

Despite the situation of frozen tariffs and the fact that electricity demand rose 4.2% during 2011, it is important to mention that the energy losses were kept at reasonable levels and the service quality indicators are still among the best of the country. The demand increase was accompanied by investments which reached AR\$430 million in 2011, and over AR\$1,900 million considering the last 5 years. This reflects fully the responsibility with which Edenor manages its electricity grid and strengthens its commitment to the future.

It is important to highlight, as a relevant event to the national energy sector, the Executive Power's decision to gradually reduce since January 2012 onwards, the subsidies in the price of electricity generation that were previously granted to users in the whole country. This decision does not produce any improvement in the electricity distribution sector nor in Edenor's revenues. However, we agree with this decision, given that we have always considered that subsidies should only be maintained to those users who really need them, while at the same it will be useful to send the right signals for users to save a limited and non-renewable resource.

Because of this situation in Edenor, and in order to comply with current accounting policies, Pampa made an impairment of our investment in that company, taking into account that the concretion of the measures needed to revert this negative trend depends on the occurrence of certain facts that are not under our control. The effect on Pampa's net loss for 2011 is a one-time accounting charge of AR\$558 million, which does not involve an outflow of funds. This impairment was done at Pampa and not in Edenor.

The results in the generation and transmission segment were also influenced by the effect of increasing costs. As a reference, Pampa's consolidated salaries, without including the costs of Emdersa and Eden which were acquired in 2011, increased by 32% during this year and the rest of the consolidated sales and administrative expenses increased by 31%.

Going more into detail on the generation segment, 2011 began with an increase in the capacity payment and costs recognized for operation and maintenance, agreed with the regulatory authorities in November 2010. Nevertheless, CAMMESA the system's clearing company, has stopped paying it on a regular basis and remains unpaid since July 2011, with a total credit for Pampa's generators of approximately AR\$90 million. Additionally, the agreement has been suspended by the Secretariat of Energy in January 2012. We have filed the corresponding claims against an action that puts in

risk generators' capacity to afford their expected operational costs. Nevertheless, the letter that suspends the agreement stipulates that the Secretariat of Energy is studying new alternatives to achieve the same goal.

In relation to Transener, and despite the agreements signed in 2010 with the Government which recognized a credit of AR\$574 million due to higher operation costs during the period 2005-2010, we still have AR\$339 million to collect from CAMMESA, and the pace at which we are collecting them has been lower than expected. Also, as of today, both Transener and Transba have not been authorized to include the recognized increased costs in the current tariffs.

To sum up, we believe that we have reached a point where further delays in tariff increases combined with increasing costs could affect, especially in Edenor, the normal course of business. Despite this, and as I mentioned before, we still have positive expectations on the results of the negotiations being held with the regulatory authorities.

Next I'll like to comment on other relevant events of the quarter.

Beginning with Petrolera Pampa, we continued with the exploration and production of natural gas reserves, under the Gas Plus regulation projects agreed with Petrobras and Apache. These projects allowed us to have as of today 19 productive wells, with gas production for 2011 of 1.2 million cubic meters per day, of which 240 thousand cubic meters per day corresponded to the proportional stake of Petrolera Pampa. It is important to mention that Petrolera Pampa will contribute to increase local natural gas production helping replace expensive gas imports. Furthermore, it will increase the profits of our business and it will help develop non-conventional gas production which has great potential in Argentina, especially in tight sands and shale gas.

As a novelty, we began the drilling of three exploratory wells in the Senillosa block, where we act as operators, and where we expect very promising perspectives.

In relation to the TGS deal, as you know on October 2011 the Argentine Gas Regulator approved the restructuring of the debt of its holding company CIESA, so now the only thing left is the approval of the Anti-Trust Authorities and the Secretariat of Commerce. Recall that once the restructuring is done, Pampa would indirectly control 29.8% of TGS through the co-control of CIESA with Petrobras.

Moving to Loma, and regarding the accident occurred in the expansion project in February 2011, we are currently working on the collection of the corresponding indemnification from the insurance companies. We have also filed legal claims against the contractor Isolux-Tecna in order to demand an integral compensation as the result of all the non-fulfillments of the contractor, which we have estimated in US\$100 million dollars. Lastly, we have been notified by the turbine's manufacturer Siemens that they estimate that during 2013, after a redesigned blade wheel is installed, the turbine will be able to function at the original guaranteed capacity. Today, we are working with 10 MW less than the guaranteed level.

We cancelled the AR\$17 million dividend of January 2012, given that, as is obvious, Pampa presents as of December 2011 no results to distribute.

Another news is that CPB issued almost AR\$100 million in the local market helping to refinance the capital of this year.

Finally, moving to debt issuances, on March our power plant Güemes issued a AR\$47 million bond at Badlar plus 290 basis points, maturing in one year, and a AR\$52 million bond at Badlar plus 340 basis points, maturing in one year and a half.

Now going to the results of the fourth quarter of 2011, we presented an adjusted EBITDA of AR\$210 million, 4% higher than the AR\$201 million for 2010. This was given by a 27% increase (or AR\$22 million) in the generation segment and minor losses of AR\$14 million in the holding segment, partially offset by a 63% reduction (or AR\$21 million) in the transmission segment and a 6% reduction (or AR\$5 million) in the distribution segment. Nevertheless, recall that the distribution segment includes in 2011 the consolidation of Emdersa and Eden, which added an EBITDA of AR\$92 million. Without that effect, the distribution segment's adjusted EBITDA would have been nearly zero (including the PUREE penalty system funds).

Also, have in mind that we are still not consolidating TGS, given that the restructuring of CIESA's debt has not been finalized yet, as I mentioned before.

The higher adjusted EBITDA at our generation segment was mainly given by a higher generation by our thermal units, which increased over 100%, as a result of the beginning of commercial operations of CTLL's expansion, and a higher thermal requirement in CTG and CPB due to hydro scarcity in the system. This was partially offset by lower generation of our hydro units, which decreased by 12%. In that sense, Loma generated in the fourth quarter, 747 GWh versus 64 GWh in the same quarter of 2010, given by: (i) first, the beginning of commercial operations as combined cycle in November 2011, which increased its installed by almost 50% without consuming additional natural gas, having therefore a higher dispatch priority in the system; and (ii) second, the elimination of fuel restrictions thanks to the authorization to fire Gas Plus. Thanks to this, Loma presented in the fourth quarter of 2011 an EBITDA of AR\$53 million (including only two months as combined cycle) compared to almost AR\$0 in 2010.

The lower adjusted EBITDA at our transmission segment was affected mainly by AR\$25 million of lower revenues registered in relation to the 2005 to 2010 cost recognition agreement signed with CAMMESA, and the impact of increased costs.

With respect to the distribution segment, and as I mentioned before, adjusted EBITDA decreased AR\$5 million, but would have decreased by almost AR\$100 million without including Emdersa and Eden. This was given as a result of cost increases and frozen tariffs.

Going more into detail on Edenor on a stand-alone basis, net sales increased 6% (or AR\$31 million) to AR\$553 million in the fourth quarter of 2011, mainly due to a 1.6% increase in the volume of electricity sold and to a decrease in the charge of fines and penalties recorded in the fourth quarter of 2011 by AR\$10 million.

Edenor's volume of energy sold increased 1.6% to 4.8 thousand GWh in the fourth quarter of 2011 thanks to a 1.4% increase in the number of customers, partially offset by a decrease of 0.2% in the average consumption per customer.

Edenor's operating income decreased AR\$110 million to a loss of AR\$142 million in the fourth quarter of 2011, mainly due to an increase in salaries both for Edenor employees as well as those hired by outsourced contractors. Again, remember that Puree funds are not being registered as revenues but as a debt. Puree funds amounted to AR\$98 million in the fourth quarter of 2011, versus AR\$86 million in the same period of 2010.

Edenor's net income decreased from a positive AR\$259 million to a loss of AR\$305 million in the fourth quarter of 2011, mainly due to the increase in operating expenses previously mentioned, a AR\$65 million negative charge related to the valuation of Emdersa at net realizable value and a AR\$148 million loss related to the tax-loss carry forward credits which we do not expect to recover.

Finally, our holding segment had a positive but small EBITDA (AR\$4 million in the fourth quarter of 2011 versus a AR\$10 million loss in 2010) thanks to the beginning of operations of Petrolera Pampa, which added AR\$9 million of EBITDA in this quarter. Even though it's a different business, we are including Petrolera Pampa in the holding sector because it's still of small significance. In the future we expect to provide more information about this segment on a separate base.

Pampa's net income for the fourth quarter of 2011 amounted to a loss of AR\$748 million, compared to a AR\$35 million gain in the same period of 2010. This reduction, as explain at the beginning of the call, was mainly given by the results of Edenor and the impairment we made on that investment.

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

Closing Remark: Thank you all for participating in the call and, as always, anything you need just call us.

QUESTION 1

Ricardo Cavanagh, Itaú: Good morning, I have two questions. One is more specifically related to Edenor: which outlook could you foresee in terms of cash availability for the next few months? On a more structural point of view: what scenarios do you think are

likely to happen for Edenor over the longer term, and what do you think is in the government's mind? Those are my questions, thank you.

Ricardo Torres: Thank you Ricardo. In terms of medium-term outlooks for the company, I think that we will face a difficult time over the next semester. I think that Edenor and Pampa have the possibility to find the resources for that period, and I still think that the intention of the government is not to force the company impairment problems and into failing to manage the concession. I think that the government focuses on other issues such as the subsidies cancellation, but I think that at the end it will give attention to the problem of the distribution sector. We were saying that we were optimistic for the past three years, but Puree is not growing as expenses are. Expenses are growing at a rate of 30% and Puree collections are growing at a rate of 10%. I believe that the moment for new measures has come. I think that the government does not want to nationalize the sector but I still want to see the solution coming.

QUESTION 2

Darin Batchman, Stone Harbor: I have two questions. Number one: I was wondering if you could walk us through the CAPEX of the fourth quarter since there was a big increase compared with last's year fourth quarter and the early part of this year. Also, on the last conference call, you had walked us through the potential cash flow coming from the sale of the Emdersa's assets (assets and repayment of the intercompany loans) and I wanted to know if you could walk us through what cash flows have been received from that and what is still to come. Thank you.

Ricardo Torres: We sold Edesal, which produced US\$27 million for the equity payment and US\$9 million because of the cancellation of the intercompany debt. For Edelar, we collected as of today US\$1.5 million from the option we granted. From Piquirenda we collected US\$2.2 million from partial equity payment, and US\$2 million from the cancellation of intercompany debt. For Eden, we reduced intercompany debt by AR\$60 million and expect for the next 15 days to have news about Edelar and Edesal reducing their exposure to intercompany debt bringing up to US\$100 million to Edenor. Then all the intercompany debts will be cancelled and we will be looking for the potential sell of other companies. Going to the CAPEX, in the fourth quarter it was of AR\$197 million, against AR\$107 million in 2010.

Darin Batchman: Could you tell us more about the projects you have financed?

Ricardo Torres: Most of the indebtedness was made for the extension of medium tension grids. So some part of the CAPEX was channeled to new connections (AR\$47 million), some parts to maintain existing equipment (AR\$26 million), and, last, AR\$20 million was directed to other, not-related to grids, investments.

Darin Batchman: Were these CAPEX decisions made as business decisions or were there some regulatory or government requirements related to that CAPEX?

Ricardo Torres: We are obliged to make new connections for new customers because we are confronting continuous growth in demand; even though we are also working with big customers which participate to the financing of these connections. Most importantly we must maintain the level of the existing grid to respect our engagements, and our own commitment to the quality of distribution to our customers.

QUESTION 3

Isabella Bacchi, JP Morgan: Good morning. I wanted to confirm some of the numbers in the company loans you mentioned. You cancelled during this quarter AR\$15 million with Eden, AR\$9 million with Edesal, and AR\$4 million with Piquirenda. You mentioned a number for Edesal and Edelar. How much was that again?

Ricardo Torres: AR\$100 million coming from intercompany debt payments coming from Edesal and Edelar for the next 30 days and we are working to increase this amount in the next 90 days.

Isabella Bacchi: Do you expect the CAPEX number of the last quarter (Q4) to repeat over the next few quarters? Should it be our new base or should we come back to the average of AR\$100 million?

Ricardo Torres: I think that we will be coming back to the average of AR\$100 million or AR\$110 million, but it is difficult to predict on a quarterly basis. On an annual basis, you should maintain the current level of CAPEX.

Isabella Bacchi: Last question: you mentioned having received from the government the sum of AR\$12.6 million during January and February related to a framework agreement. Can you give us some details on that?

Ricardo Torres: As you know we signed an agreement several years ago with the Government of the Province of Buenos Aires and the National Government about the collection of electricity for poor clients and the shantytown. That was suspended for a while but we collected approximately AR\$14 million last year, and AR\$5 million in February; and we expect this to be signed again with the Government and to start collecting again soon. But because we did not have that assurance we consider that payment as a loss. I still think that the Government will follow this commitment and that we will sign something soon.

Rodrigo Mora, Moneda Asset Management: Hi Ricardo! In the short term my concern is the control of the costs of the company. You mentioned that the capital expenditures for this year will be approximately AR\$187 million. My question: what is the cash flow currently available for the company to sustain this level of capital expenditures, without using cuts or asking for intercompany loans from Pampa, for instance?

Ricardo Torres: We are not asking for intercompany loans from Pampa or the subsidiaries, we are just collecting the intercompany loans we granted to the subsidiaries as a way to save interest payments that were more expensive in the open market. In terms of cash flow, the company is facing negative cash flows on operative levels for two month now. Without any measure from the government, we expect it to continue to be the case for the near future. We think that we have the availability of funds in the company necessary to finance the CAPEX and the operations in the medium term.

Rodrigo Mora: The cash flow provided by operating activity sums up to AR\$108 million, and the plan of this year is to borrow approximately AR\$50 million. The company is able to pay the interest payments and finance the capital program, right?

Ricardo Torres: In the near future yes, of course. It is difficult to foresee what will happen in six months from now, and it cannot be denied that we are in a critical moment. We are confident that we have the financial resources to finance this hard moment until an answer comes from the government. I do not think, as of this moment, that the payments of our financial debt are in danger in the near future. There is no sense in saving on AR\$30 million, when you have your capital due in ten years. The problem with our business is not the financing structure, but the operating structure. And we are working on that: saving, collections, and warning the government as much as we can that the situation is unsustainable in the medium term.

Rodrigo Mora: When I am talking about the cash flows provided by operating activities, I am also including the funds coming from PUREE. That is, I assume that the company is able to face the capital expenditures and also to pay its debt for this year, right?

Ricardo Torres: Yes. This is a short term thing. I do not think that the current evolution of revenues and expenditures - the first rising by 5 % per year and the other by 30 % per year- can be sustained in the future. At the moment, the company is not making any cash flow and is starting to develop a negative cash flow in the short term.

Rodrigo Mora: The company needs an increase in tariff of course. Thank you very much Ricardo!

Ricardo Torres: Thank you very much. Contact me if you have any doubt. We have the energy, the determination, and the will to work through this hard moment. But also, as you know, much of Edenor's future depends on government decisions. The most we can do is to warn them about the consequences of delaying such decision. We expect some improvement about our cash earnings from the potential increase in PUREE collection because of the end of subsidies for people who consume the most, but the extent of this improvement is still uncertain. I propose to update you with this information as soon as I have it. Thank you very much, and until our next meeting!